Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities 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. Accordingly, the Bonds (as defined below) are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

***This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") 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 document attached hereto) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司 (the "**Issuer**") 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.*

Notice to Hong Kong investors: *The Issuer and Industrial Securities Co., Ltd.（興業證券股份有限公司）(the "**Guarantor**") confirm that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

China Industrial Securities International Financial Group Limited
興證國際金融集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6058)

U.S.$300,000,000 Floating Rate Guaranteed Bonds due 2027 (the "Bonds")
(Stock Code: 4508)

unconditionally and irrevocably guaranteed by

兴业证券
INDUSTRIAL SECURITIES

Industrial Securities Co., Ltd.
(興業證券股份有限公司)
(Incorporated with limited liability in the People's Republic of China)

PUBLICATION OF THE OFFERING CIRCULAR

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

Please refer to the offering circular dated 26 January 2024 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does 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 must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer and the Guarantor, and no such inducement is intended. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the offering, including the merits and risks involved.

By order of the Board
China Industrial Securities International Financial Group Limited
Hu Pingsheng
Chairman

Hong Kong, 5 February 2024

As at the date of this announcement, the directors of China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司 are Mr. Hu Pingsheng (Chairman), one executive Director, namely Ms. Zhang Chunjuan, and three independent non-executive Directors, namely Ms. Hong Ying, Mr. Tian Li and Mr. Qin Shuo and the directors of Industrial Securities Co., Ltd.(興業證券股份有限公司)are Mr. Yang Huahui (Chairman), four Directors, namely Mr. Geng Yong, Mr. Ye Yuanhang, Mr. Li Qiongwei and Mr. Liu Zhihui, and three independent Directors, namely Ms. Pan Yue, Mr. Wu Shinong and Mr. Liu Hongzhong.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to this offering circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information as a result of such access.

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 BONDS (THE "**BONDS**") AND THE GUARANTEE (THE "**GUARANTEE**") DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the Bonds and the Guarantee described herein, investors must not be located in the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to China Industrial Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Luso International Banking Limited, Standard Chartered Bank, Chiyu Banking Corporation Limited, CMB International Capital Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Bank of China Limited, Singapore Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CLSA Limited, Emirates NBD Bank PJSC, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Hua Xia Bank Co., Limited Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited and Zhongtai International Securities Limited (the "**Joint Lead Managers**") that you and any customers you represent are not, and the electronic mail address that you gave the Joint Lead Managers to which this e-mail has been delivered is not, located in the United States and that you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

The attached document is being furnished in connection with an offering in offshore transactions 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.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this 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 this 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 attached.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, nor any person who controls any of them, nor their respective directors, officers, employees, representatives nor agents, nor affiliates of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. 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.

兴证国际
INDUSTRIAL SECURITIES INTERNATIONAL

China Industrial Securities International Financial Group Limited
興證國際金融集團有限公司

(incorporated in the Cayman Islands with limited liability)

U.S.$300,000,000 Floating Rate Guaranteed Bonds due 2027
unconditionally and irrevocably guaranteed by

兴业证券
INDUSTRIAL SECURITIES

Industrial Securities Co., Ltd.
（興業證券股份有限公司）

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

Issue Price: 100.0 per cent.

The U.S.$300,000,000 Floating Rate Guaranteed Bonds due 2027 (the "**Bonds**") will be issued by China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司 (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Industrial Securities Co., Ltd. (formerly known as China Industrial Securities Co., Ltd.)(興業證券股份有限公司)(the "**Guarantor**").

The Bonds bear interest on their outstanding principal amount from and including 2 February 2024 at the rate which is equal to Compounded SOFR Index (as defined in the Terms and Conditions of the Bonds) plus 0.90 per cent. per annum, payable in arrear on 2 February, 2 May, 2 August and 2 November in each year (each, subject to adjustment in accordance with the terms and conditions of the Bonds, an "**Interest Payment Date**"). All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

The Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The Guarantor is required by the Provisions on the Foreign Exchange Administration Rules on Cross-border Security（跨境擔保外匯管理規定）promulgated by the State Administration of Foreign Exchange ("**SAFE**") on 12 May 2014 and effective from 1 June 2014 (the "**Cross-border Security Registration**") to register the Guarantee with SAFE within 15 working days after the execution of the Deed of Guarantee (as defined herein) in which the Guarantee is contained. If the Guarantee fails to complete the SAFE registration in connection with the Guarantee and the Cross-border Security Registration, there may be hurdles for cross-border payment under the Guarantee. The Guarantor intends to complete the registration of the Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 150 Registration Deadline Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date (as defined below).

Pursuant to the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises（企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)）(the "**NDRC Administrative Measures**") issued by the National Development and Reform Commission of the PRC or its local counterparts ("**NDRC**") and effective on 10 February 2023, the Guarantor has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC on 15 December 2023 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to NDRC within the relevant prescribed timeframe after the Closing Date (as defined below), including but not limited to, the NDRC Post-issue Filing (as defined in the Terms and Conditions of the Bonds).

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on or nearest to 2 February 2027. The Bonds may be redeemed at the option of the Issuer in whole but not in part at any time, on giving not less than 30, not more than 60 days notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption but unpaid in the event of certain changes affecting taxes of the Cayman Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control or No Registration Event (as defined in the Terms and Conditions of the Bonds), the holder of a Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Change of Control or No Registration Event*". On or after 2 January 2027, being the date that falls one month prior to the Maturity Date, the Issuer may redeem the Bonds at any time by giving not less than 30 nor more than 60 days' irrevocable notice to the Bondholders and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer*". For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*".

The Bonds will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

Notice to Hong Kong investors: Each of the Issuer and the Guarantor confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Bonds 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 Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, the Guarantor, the Issuer Group, 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.

Singapore Securities and Futures Act Product Classification – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (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 Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018).

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 2 February 2024 (the "**Closing Date**"), with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

The Guarantor has been assigned a corporate rating of "BBB" with a stable outlook by Fitch Ratings Inc. ("**Fitch**"). The Bonds are expected to be rated "BBB" by Fitch. Such ratings are only correct as at the date of this Offering Circular. A rating is not a recommendation to buy, sell or hold the Bonds or any other securities of the Issuer or the Guarantor or the Issuer Group or the Group (as the case may be) and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

China Industrial Securities International | **Industrial Bank Co., Ltd. Hong Kong Branch** | **CNCB Capital** | **Luso Bank Ltd.** | **Standard Chartered Bank** | **Chiyu Banking Corporation Limited**

CMB International | **Shanghai Pudong Development Bank Hong Kong Branch** | **CMBC Capital** | **CMB Wing Lung BankLimited** | **Bank of China**

Joint Lead Managers and Joint Bookrunners

ABC International | **Bank of Communications** | **BOCOM International** | **CCB International** | **CEB International**

China Everbright Bank Hong Kong Branch | **China Galaxy International** | **China International Capital Corporation** | **China Minsheng Banking Corp., Ltd., Hong Kong Branch** | **China Zheshang Bank Co., Ltd. (Hong Kong Branch)**

CITIC Securities | **Emirates NBD Capital** | **Guotai Junan International** | **Haitong International**

Hua Xia Bank Co., Limited Hong Kong Branch | **ICBC International** | **ICBC (Asia)** | **ICBC Singapore**

Shenwan Hongyuan (H.K.) | **SMBC Nikko** | **SPDB International** | **Zhongtai International**

Offering Circular dated 26 January 2024

TABLE OF CONTENTS

IMPORTANT NOTICE

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

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries taken as a whole (the "**Issuer Group**"), the Guarantor and its subsidiaries taken as a whole (the "**Group**"), the Bonds and the Guarantee, which is material in the context of the issue and offering of the Bonds; (ii) there are no other facts in relation to the Issuer, the Issuer Group, the Guarantor, the Group, the Guarantee or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular in any material respect misleading; (iii) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (iv) all statements of fact contained in this Offering Circular are in every material respect true and accurate and not misleading; (v) all statements of opinion, intention, belief or expectation contained in this Offering Circular are truly and honestly held and were or have been made after due and careful consideration of all relevant circumstances and were based on reasonable assumptions; (vi) all reasonable enquiries have been and will be made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements; (vii) the statistical, industry and market-related data included in this Offering Circular, are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects, and represent its good faith estimates that are made on the basis of data so derived from such sources. Each of the Issuer and the Guarantor has taken reasonable care in reproducing or extracting such data into this Offering Circular and, to the extent required, the Issuer and the Guarantor have obtained the written consent to the use of such data from such sources.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular is limited to persons to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, China Industrial Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Luso International Banking Limited, Standard Chartered Bank, Chiyu Banking Corporation Limited, CMB International Capital Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Bank of China Limited, Singapore Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CLSA Limited, Emirates

NBD Bank PJSC, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Hua Xia Bank Co., Limited Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited and Zhongtai International Securities Limited (the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the subscription and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

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.

This document 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, the Issuer Group and the Group. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document 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.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS ACTING AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS 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 BONDS 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 BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Issuer Group, the Guarantor, the Group, the Bonds or the Guarantee other than as contained herein 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 Joint Lead Managers, The Bank of New York Mellon, London Branch as Trustee (the "**Trustee**"), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**") and calculation agent (the "**Calculation Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch as transfer agent and registrar (the "**Transfer Agent**" and "**Registrar**", and together with the Principal Paying Agent and the Calculation Agent, the "**Agents**"). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds 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 Issuer Group, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct at any date subsequent to the date hereof.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for this offering and are subject to additional requirements under the SFC Code.

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 ("**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this 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 this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this 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). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager 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 this 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 Joint Lead Manager, 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 Joint Lead Manager 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 this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this 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 Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

The Issuer has submitted this Offering Circular confidentially to a limited number of professional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer is prohibited. By accepting delivery of this Offering Circular, each offeree agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives. None of the Joint Lead Managers, the Trustee and the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives has independently verified any of the information contained in this Offering Circular (financial, legal or otherwise) and can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential investor of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Issuer Group, the Guarantor, the Group, and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Joint Lead Managers, the Trustee or the Agents. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Bonds. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in affairs of the Issuer, the Issuer Group, the Guarantor, the Group, or any of them or that the information set forth herein is correct in all material respects as at any date subsequent to the date hereof.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any person affiliated with Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy or completeness of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee and the Agents or any of their respective employees, affiliates, directors, agents or advisors accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective employees, affiliates, directors, agents or advisors or on its or their behalf in connection with the Issuer, the Issuer Group, the Guarantor, the Group, the Guarantee or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents or any of their respective employees, affiliates, directors, agents or advisors 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 Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives undertakes to review the financial condition or affairs of the Issuer, the Issuer Group, the Guarantor or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates.

Presentation of Financial Information

The Group's consolidated financial information as at and for the years ended 31 December 2020, 2021 and 2022 has been extracted from the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 2022, which have been audited by KPMG Huazhen LLP ("**KPMG Huazhen**"), the independent auditor of the Guarantor, and included elsewhere in this Offering Circular together with the auditor's reports in respect of such financial years.

The Guarantor prepares its consolidated financial statements of the Group in accordance with Accounting Standards for Business Enterprises ("**PRC GAAP**"). PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Description of Certain Differences between PRC GAAP and IFRS*" beginning on page 189.

The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 are only issued in Chinese (the "**Chinese Financial Statements**"). An English translation of the Chinese Financial Statements (the "**Financial Statements Translation**") is included elsewhere in this Offering Circular for reference only and solely for the convenience of English-speaking readers. The Guarantor's financial statements should be read in conjunction with, and construed in accordance with, the relevant rules in China and professional accounting and assurance standards applicable in China. The Financial Statements Translation does not itself constitute audited or reviewed financial statements and is qualified in its entirety by, and is subject to the more detailed information and the financial information set out or referred to in, the Chinese Financial Statements. The Guarantor's Chinese auditors' reports, financial statements and notes to financial statements shall prevail if there is a conflict or inconsistency between information contained in the English translation and the Chinese version. None of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, agents, advisors or representatives has independently verified or checked the accuracy of the English translation of the consolidated financial statements of the Guarantor and give no assurance that the information contained in such English translation is accurate or complete. Each of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, agents, advisors or representatives disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of any financial information of the Group.

The Guarantor's Chinese auditors' reports set forth below are incorporated by reference in this Offering Circular:

- The auditor's report dated 20 April 2023 and the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2022 (together with the auditor's report and the notes thereto) included in the Guarantor's annual report (Chinese version) published on the Shanghai Stock Exchange's website (http://www.sse.com.cn) on 22 April 2023; and

- The auditor's report dated 30 March 2022 and the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2021 (together with the auditor's report and the notes thereto) included in the Guarantor's annual report (Chinese version) published on the Shanghai Stock Exchange's website (http://www.sse.com.cn) on 31 March 2022.

The information incorporated by reference is considered to be a part of this Offering Circular. Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the Group's affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date. Nothing else in the Shanghai Stock Exchange's website cited above, other than the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 (together with the auditor's reports and the notes thereto), is incorporated by reference into, or made a part of, this Offering Circular.

The Issuer Group's consolidated financial information as at and for the years ended 31 December 2020, 2021 and 2022 has been extracted from the audited consolidated financial statements of the Issuer Group as at and for the years ended 31 December 2021 and 2022, which have been audited by KPMG ("**KPMG**"), the independent auditor of the Issuer, and included elsewhere in this Offering Circular together with the auditors' reports in respect of such financial years. Such consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

The Issuer and the Guarantor have prepared this Offering Circular using a number of conventions which investors should consider when reading the information contained herein.

"Agents".	the Principal Paying Agent, Calculation Agent, Transfer Agent and Registrar
"AUM".	assets under management
"Board of the Guarantor"	the board of directors of the Guarantor
"Board of the Issuer" . .	the board of directors of the Issuer
"business day"	any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in New York are authorised or required by law or regulation to be closed
"Calculation Agent" . . .	The Bank of New York Mellon, London Branch as calculation agent
"CBBC"	callable bull/bear contract
"China", **"Chinese"** and the **"PRC"**	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.
"Circular 36"	the Circular of Full Implementation of Business Tax to VAT Reform, Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services (excluding Article 17 thereof), and other related rules and regulations
"CISI Asset Management".	China Industrial Securities International Asset Management Limited（興證國際資産管理有限公司）
"CISI Brokerage"	China Industrial Securities International Brokerage Limited 興證國際證券有限公司
"CISI Capital"	China Industrial Securities International Capital Limited（興證國際融資有限公司）
"CISI Futures"	China Industrial Securities International Futures Limited（興證國際期貨有限公司）
"CISI Investment".	China Industrial Securities International Investment Limited（興證國際投資有限公司）
"CISI Wealth Management".	China Industrial Securities International Wealth Management Limited（興證國際私人財富管理有限公司）
"Clearing System Business Day"	Monday to Friday inclusive except 25 December and 1 January
"Clearstream".	Clearstream Banking S.A.
"Closing Date"	2 February 2024

"Code of Conduct"	Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission（證券及期貨事務監察委員會持牌人或注册人操守準則）
"Commission's proposal"	the proposal published by the European Commission published for a Directive for a common FTT in participating Member States
"Conditions" or the **"Terms and Conditions"**	terms and conditions governing the Bonds, as set out in the section "*Terms and Conditions of the Bonds*"
"controlling shareholder(s)".	any person or group of persons who satisfy the requirements of such term as such term is defined in the Listing Rules
"CSRC"	the China Securities Regulatory Commission
"C(WUMP)O".	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong
"EIT Law"	Enterprise Income Tax Law
"ETF"	exchange-traded fund
"Euroclear"	Euroclear Bank SA/NV
"Exchange Participants"	a corporation licensed to carry out Type 1 (dealing insecurities) regulated activity under the Securities and Futures Ordinance (Cap. 571) of Hong Kong who, in accordance with the rules of the Hong Kong Stock Exchange, may trade on or through the Stock Exchange and whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"FATCA"	Foreign Account Tax Compliance Act
"FIEA".	Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948)
"FSMA"	Financial Services and Markets Act 2000
"FTT"	the proposed financial transaction tax
"Futures Exchange". . . .	the Hong Kong Futures Exchange Limited
"G3 currencies"	the U.S. dollar, the euro and the Japanese yen
"GEM".	the GEM board of the Hong Kong Stock Exchange
"Global Certificate". . . .	the global certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date, with a common depositary for, Euroclear and Clearstream

"Guarantor"	Industrial Securities Co., Ltd.(興業證券股份有限公司), a company established under the laws of the PRC on 30 June 1994 with limited liability whose shares are listed on the Shanghai Stock Exchange (stock code: 601377) and a controlling shareholder of the Issuer and together with its subsidiaries, the "**Group**"
"Guarantor Group". . . .	the Guarantor and its subsidiaries taken as a whole
"HK$"	Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC".	the Hong Kong Securities Clearing Company Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IPO".	initial public offering
"Issuer"	China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司
"Issuer Group"	the Issuer and its subsidiaries taken as a whole
"IT Circular"	the Circular to All Licensed Corporations on Information Technology Management issued by the SFC on 16 March 2010
"Joint Lead Managers" .	China Industrial Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Luso International Banking Limited, Standard Chartered Bank, Chiyu Banking Corporation Limited, CMB International Capital Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Bank of China Limited, Singapore Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CLSA Limited, Emirates NBD Bank PJSC, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Hua Xia Bank Co., Limited Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited and Zhongtai International Securities Limited

"KPMG"	KPMG, the Issuer's auditor for the years ended 31 December 2020, 2021 and 2022
"KPMG Huazhen".	KPMG Huazhen LLP, the Guarantor's auditor for the years ended 31 December 2020, 2021 and 2022
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the main board operated by the Hong Kong Stock Exchange
"mis-selling"	misrepresenting a product or service in order to successfully complete a sale
"MLO".	Money Lenders Ordinance (Cap. 163) of Hong Kong
"MOF".	The Ministry of Finance of the PRC
"MOFCOM".	the Ministry of Commerce of the PRC
"NDRC Administrative Measures"	the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective on 10 February 2023
"NDRC"	the National Development and Reform Commission of the PRC
"Non-resident enterprise"	an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC
"participating Member States".	Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia
"PBOC"	People's Bank of China
"PDPO"	Personal Data (Privacy) Ordinance (Cap. 486) of Hong Kong
"Prime Rate"	the rate of interest that banks charge their creditworthy customers for borrowing money
"Principal Paying Agent"	The Bank of New York Mellon, London Branch as principal paying agent
"Professional Investors".	professional investors as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"QDII".	qualified domestic institutional investors
"QFII"	qualified foreign institutional investors
"RMB", **"CNY"** and **"Renminbi"**	the Renminbi Yuan, the official currency of the PRC

"SAFE"	the State Administration for Foreign Exchange of the PRC
"SAR"	suspicious activity report filed by the money laundering reporting officer of the Group if there exists reasonable grounds to justify that the clients or activity of the Group are suspicious
"SASAC"	State-owned Assets Supervision and Administration Commission of the PRC
"Securities Act".	the United States Securities Act of 1933
"securities margin financing"	providing a financial accommodation in order to facilitate acquisition of securities and the continued holding of those securities, but does not include, *inter alia*, the provision of financial accommodation by a corporation licensed for Type 1 regulated activity
"SFA"	The Securities and Futures Act 2001 of Singapore
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Cap. 571) of Hong Kong
"Shanghai-Hong Kong Stock Connect"	the cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange
"Shenzhen-Hong Kong Stock Connect"	the cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Hong Kong Stock Exchange
"SMS"	short message service
"Subscription Agreement"	the Subscription Agreement dated 26 January 2024 entered into between the Issuer, the Guarantor and the Joint Lead Managers
"U.S.$", **"USD"** and **"U.S. dollars"**	United States dollars, the official currency of the United States of America
"VAT"	Value-add Tax

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.

This Offering Circular contains a translation of certain Renminbi and Hong Kong dollar amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer and the Guarantor has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.8972 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York) and at the rate of HK$7.8015 to U.S.$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rates is set forth in "*Exchange Rates*" in this Offering Circular. No representation is made that the Renminbi and Hong Kong dollar amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, or *vice versa*.

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

Unless the context otherwise requires, references to "**2020**", "**2021**" and "**2022**" in this Offering Circular are to the years ended 31 December 2020, 2021 and 2022, respectively.

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 Joint Lead Managers, the Trustee, the Agents or their respective employees, affiliates, directors, advisors, agents or representatives and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective employees, affiliates, directors, advisors, agents or representatives 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 the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Offering Circular. The statements in this Offering Circular which contain words and phrases such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "estimate", "expect", "future", "goal", "intend", "may", "objective", "plan", "predict", "positioned", "project", "risk", "seek to", "shall", "should", "will likely result", "will pursue", "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance or the Issuer Group's or the Group's expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings "*Risk Factors*", "*Description of the Issuer Group*" and "*Description of the Group*" regarding the Issuer Group's and the Group's financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to the business of the Issuer Group and the Group discussed under "*Risk Factors*", other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to, risks associated with international global business activities; general economic and political conditions; possible disruptions to commercial activities due to nature and human induced disasters, including terrorist activities and armed conflicts and fluctuations in foreign currency exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on the Issuer Group's and/or the Group's income or results of operations could materially differ from those that have been estimated. For example, revenue could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realised. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Offering Circular to reflect any change in the Issuer Group's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as at the date of this Offering Circular. Except as required by law, each of the Issuer Group and the Group is not under any obligation, and expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to the Issuer Group or the Group or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Offering Circular.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only at the date of this Offering Circular.

SUMMARY

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

GROUP OVERVIEW

The Group is a full-service securities group based in mainland China with integrated service offerings comprising wealth management business, institutional service business, proprietary investment business and overseas business. The Guarantor was incorporated under the laws of the PRC on 19 May 2000 with limited liability with its principal place of business at 268 Hudong Road, Industrial Securities Building, Fuzhou City, Fujian Province. The Group operates its business mainly through the Guarantor, which was listed on the Shanghai Stock Exchange in 2010 (stock code: 601377).

The predecessor of the Guarantor was Fujian Industrial Securities Company, which was established as the Securities Business Department by Fujian Industrial Bank in October 1991 and then decoupled from Fujian Industrial Bank by capital increase and share expansion in 1999. As at 30 June 2023, the controlling shareholder and actual controller of the Guarantor is Fujian Provincial Department of Finance. With over 30 years of operating history, "興證" is a widely recognised brand in the PRC. The Group has been able to effectively establish a nationwide market presence, reinforce client confidence in its services and grow its client base, as well as to provide the Issuer Group with high-quality management resources to establish a strong presence in Hong Kong since commencement of the Issuer Group's business in 2012. Benefiting from both the brand reputation of "興證" and other core competitive strengths, the Group has been actively seeking growth opportunities through expanding its client sources, innovating products and services to align with the diversifying needs of its clients and optimising its business structure in response to changing economic cycles and global financial markets development trends. Facing the volatile market environment and intense industry competition, the Group will seek to enhance its competitiveness, upgrade its professional capabilities and strengthen its risk management to achieve continuous development. The Group will continue to develop new clients and deliver new products and professional services that create value for new and potential clients in mainland China, Hong Kong and across the globe.

Principal business lines of the Group are:

- ***Wealth management business***: the Group's wealth management business includes securities and futures brokerage business and asset management business. The securities and futures brokerage business provides customers with targeted integrated financial service solutions such as securities and futures brokerage, product sales, margin trading, stock pledge repurchase, investment consulting, etc. through a combination of offline and online methods. The asset management business includes providing clients with various securities asset management services, fund asset management services and private equity investment fund management services.

- ***Institutional service business***: the Group's institutional service business includes research and institutional sales business and investment banking business. Research and institutional sales services include the provision of securities research and sales transaction services, brokerage transaction settlement services, asset custody and outsourcing services for various institutional clients. Investment banking business provides corporate and government clients with one-stop direct financing services such as stock financing, bond financing, merger financing, new third board and structured financing, asset securitisation, financial advisory, and regional equity market services.

- ***Proprietary investment business***: the Group's proprietary investment business includes multiple types of proprietary investment, trading and market-making services such as stocks, bonds, derivatives, equity and alternative investments made under the principals of value investing and stable operation.

- ***Overseas business***: the Group's overseas business includes global securities and futures brokerage, institutional sales and trading, corporate financing, fixed income, investment and financing services such as asset management and private wealth management, which is mainly conducted through the Guarantor's wholly-owned subsidiary Industrial Securities (Hong Kong) Financial Holdings Limited and the Issuer Group.

The core competitive strength of the Group lies in its strong service capability that fulfils the varying investment and financing needs of its clients. In addition to the offerings of the Issuer in the Hong Kong and global markets, operating subsidiaries of the Group are licensed to conduct various regulated activities under PRC laws, including securities brokerage business, securities investment consulting, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsorship, securities proprietary business, securities asset management business, securities investment fund agency and intermediate introductory services for futures companies, among others. A diversified business portfolio allows the Group to create synergies between its business lines, generate cross-selling opportunities and provide integrated financial services to clients.

The fast-growing business of the Group is underpinned by its professional and seasoned workforce. Executive and non-executive directors of the Group have an average of more than 10 years of experience in the financial services industry and the senior management members of the Group have served renowned financial institutions in the PRC, Hong Kong and/or overseas. The strong and experienced management team of the Group allows it to keep abreast of the latest developments in the capital market and financial services industry, formulate sound business strategies and respond timely to changing market conditions to capture growth opportunities.

The Group began its business in 2000 and has experienced sustainable growth since then. In 2022, under the impact of a volatile global capital market and heightened risks of economic downturn, the total revenue of the Group decreased from RMB18,972.2 million for the year ended 31 December 2021 to RMB10,659.6 million for the year ended 31 December 2022, representing a year-on-year decrease of 43.8 per cent. Commission and fee income from the securities and futures brokerage business and asset management business and revenue from institutional service business, proprietary investment business and overseas business constitute the main sources of revenue for the Group. Revenue from the Group's business lines is summarised below.

- ***Wealth management business***

Revenue from the Group's securities and futures brokerage business within its wealth management business line amounted to RMB3,189.5 million, RMB4,180.1 million and RMB3,791.8 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 18.1 per cent., 22.0 percent. and 35.6 per cent. of the Group's total revenue for the same periods, respectively.

Revenue from the Group's asset management business within its wealth management business line amounted to RMB3,955.9 million, RMB5,316.7 million and RMB3,389.4 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 22.5 per cent., 28.0 per cent. and 31.8 per cent. of its total revenue for the same periods, respectively.

- ***Institutional service business***

Revenue from the Group's institutional service business amounted to RMB6,161.2 million, RMB5,737.7 million and RMB2,603.5 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 35.0 per cent., 30.2 per cent. and 24.4 per cent. of its total revenue during the same periods, respectively.

- ***Proprietary investment business***

Revenue from the Group's proprietary investment business amounted to RMB4,383.0 million, RMB3,419.5 million and RMB846.3 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 24.9 per cent., 18.0 per cent. and 7.9 per cent. of its total revenue during the same periods, respectively.

- ***Overseas business***

Revenue from the Group's overseas business amounted to RMB163.9 million, RMB388.6 million and RMB85.9 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 0.9 per cent., 2.0 per cent. and 0.8 per cent. of its total revenue for the same periods, respectively.

The following tables set forth the revenue and other income of the Group by segment for the periods indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(RMB in millions)	%	*(RMB in millions)*	%	*(RMB in millions)*	%
Wealth management business						
Securities and futures brokerage	3,189.5	18.1	4,180.1	22.0	3,791.8	35.6
Asset management	3,955.9	22.5	5,316.7	28.0	3,389.4	31.8
Institutional service business	6,161.2	35.0	5,737.7	30.2	2,603.5	24.4
Proprietary investment business	4,383.0	24.9	3,419.5	18.0	846.3	7.9
Overseas business	163.9	0.9	388.6	2.0	85.9	0.8
Others	440.7	2.5	1,024.0	5.4	1,105.1	10.4
Inter-segment offset	(714.5)	(4.1)	(1,094.4)	(5.8)	(1,162.2)	(10.9)
Total revenue	**17,579.7**	**100.0**	**18,972.2**	**100.0**	**10,659.6**	**100.0**

GROUP COMPETITIVE STRENGTHS

The Group believes that the following strengths distinguish it from its competitors:

- The Group's strong market position supports its goal of becoming a "top ten" securities firm in China
- The Group's emphasis on integrated systems has further strengthened the Group's management capabilities
- The Group's synergy advantages have supported continuous improvement of its comprehensive financial service capabilities
- The Group's investment banking business achieved counter-cyclical growth during volatile market conditions
- The transformation of the Group's wealth management business has achieved results and enhanced the Group's brand
- The Group's branch expansion plan has resulted in the achievement of nationwide coverage
- The Group's investment research capabilities remain a key strength which supports the effectiveness of its services
- The Group benefits from its outstanding investment management capabilities and stable investment performance
- The Group's compliance and risk control system operates effectively and actively prevents and resolves risks

- The Group benefits from a talented workforce

GROUP BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

- Further strengthen market position to support achieving goal of becoming one of the top ten financial securities companies in China

- Continue to emphasise wealth management and institutional businesses as the two primary drivers of the Group's growth

- Continue to grow the Group's overseas business by emphasising the Issuer as the Group's main overseas platform

GROUP RECENT DEVELOPMENTS

On 16 January 2024, the Group announced that its board of directors has nominated Mr. DONG Ximiao to serve as an independent director of the Guarantor and submitted the nomination to the shareholders' meeting for consideration. Upon approval, Mr. DONG Ximiao will succeed Mr. WU Shinong as an independent director of the Guarantor and will assume customary responsibilities of the position. In addition, the Group announced that Ms. LIN Hongzhen will be stepping down from her positions as a director and chief risk officer of the Guarantor due to personal reasons. The board of directors has nominated Mr. XU Qingchun to succeed as a director of the Guarantor and submitted the nomination to the shareholders' meeting for consideration. Furthermore, the board of directors has nominated Mr. CAI Junzheng to succeed Ms. Lin Hongzhen as the chief risk officer of the Guarantor. For more details, please see "*DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR*".

On 28 October 2023, the Group published its interim financial report for the nine months ended 30 September 2023 (the "**Group Interim Financial Information**"). The Group Interim Financial Information is not audited or reviewed, may differ from future audited or reviewed information, is not included in and does not form part of this Offering Circular and is not incorporated, directly or indirectly, in any form or manner, into this Offering Circular. Investors should therefore not rely on the Group Interim Financial Information in making their investment decision.

For the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022, the Group's operating revenue and net profit decreased due to a complex and volatile global environment, which has negatively affected domestic securities market indices and trading activities. As a result, there was a reduction in the scale of fund issuance and a decline in management fees, causing a decrease in net fee and commission income. For the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022, the Group's operating expenses increased mainly due to the increase in business and management fees and other business costs.

ISSUER GROUP OVERVIEW

The Issuer Group is a full-service securities group based in Hong Kong with integrated service offerings comprising brokerage, corporate finance, asset management, margin financing and financial products and investments services. The Issuer was incorporated under the laws of the Cayman Islands on 21 July 2015 with limited liability and is registered in Hong Kong as a non-Hong Kong company with its principal place of business at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. The Issuer Group operates its business mainly through the Issuer, which was listed on the Hong Kong Stock Exchange GEM in 2016 and transferred to the Main Board in 2019 (stock code: 6058).

The Issuer was the first subsidiary of a Chinese securities enterprise listed offshore by spin-off. The controlling shareholder of the Issuer, the Guarantor, is listed on the Shanghai Stock Exchange (stock code: 601377) and is one of the leading securities firms in the PRC. With over 20 years of operating history, "興證" is a widely recognised brand in the PRC. The Issuer Group's relationship with the Guarantor has allowed the Issuer Group to effectively establish a local market presence, reinforce client confidence in its services and grow its client base, as well as provided the Issuer Group with high-quality management resources to establish a strong presence in Hong Kong since commencement of its business in 2012. Benefiting from its history as a subsidiary of the Guarantor and capitalising on both the brand reputation associated with "興證" and its own core competitive strengths, the Issuer Group has been actively seeking growth opportunities through expanding its client sources, innovating products and services to align with the diversifying needs of its clients and optimising its business structure in response to changing economic cycles and global financial markets development trends. Facing the volatile market environment and intense industry competition, the Issuer Group has been solidly pursuing the strategical planning for "14th Five-Year Plan" and the construction of the "two-wheel linkage" business system, further building up an international professional platform, maintaining a neutral and prudent risk appetite, strengthening the system construction, reinforcing the compliance and risk control system, enhancing financial technology capabilities, effectively improving capability of operational services, comprehensively optimising the talent structure, and effectively controlling various risks while promoting the stable development of business.

Principal business lines of the Issuer Group are[1]:

- ***Brokerage***: the Issuer Group engages in the trading of listed securities, futures, options, other securities, eligible A-shares of the Shanghai Stock Exchange and securities and futures in overseas markets (including the United States, Taiwan, Singapore, Australia, the United Kingdom and Germany) on behalf of its clients. The Issuer Group also offers third party insurance, pensions and other wealth management products to its clients.

- ***Corporate finance***: the Issuer Group provides corporate finance services, including underwriting of equity and debt securities offerings, sponsorship of listings and corporate advisory services.

- ***Asset management***: the Issuer Group offers collective asset management products, discretionary account management and investment advisory services tailorable to the investment styles and risk appetites of individual clients.

- ***Margin financing***: the Issuer Group offers margin financing to customers.

- ***Financial products and investments***: the Issuer Group engages in proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

---

1 *The Issuer Group ceased making new loans under its loans and financing business in February 2020.*

Core competitive strength of the Issuer Group lies in its strong service capability that fulfils the varying investment and financing needs of its clients. Operating subsidiaries of the Issuer Group are licensed to conduct different regulated activities under the SFO. The Issuer Group conducts brokerage and margin financing businesses through CISI Brokerage, which is licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, and CISI Futures, which is licensed to carry on Type 2 (dealing in futures contracts) regulated activity. Corporate finance business of the Issuer Group is conducted through CISI Capital, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and qualified to act as sponsor under the SFO, while the asset management business of the Issuer Group is conducted through CISI Asset Management which is licensed to carry on Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO. The Issuer Group offers wealth management products developed by third parties to its clients through CISI Wealth Management, which is a member of the Professional Insurance Brokers Association. A diversified business portfolio allows the Issuer Group to create synergies between its business lines, generate cross-selling opportunities and provide integrated financial services to clients.

The fast-growing business of the Issuer Group is underpinned by its professional and seasoned workforce. Executive and non-executive directors of the Issuer Group have an average of more than 19 years of experience in the financial services industry and the senior management members of the Issuer Group have served renowned financial institutions in the PRC, Hong Kong and/or overseas. The strong and experienced management team of the Issuer Group allows it to keep abreast of the latest developments in the capital market and financial services industry, formulate sound business strategies and respond timely to changing market conditions to capture growth opportunities.

The Issuer Group began its business in 2012 and has experienced sustainable growth since then. In 2022, under the impact of a volatile global capital market and heightened risks of economic downturn, the total revenue of the Issuer Group decreased from HK$636.4 million for the year ended 31 December 2021 to HK$258.0 million for the year ended 31 December 2022, representing a year-on-year decrease of 59.5 per cent. Commission and fee income from the brokerage business, the corporate finance business and the asset management business, interest revenue from the financial products and investments business and margin financing business and net trading and investment income from the financial products and investments business constitute the main sources of revenue for the Issuer Group. The Issuer Group's commission and fee income amounted to HK$343.7 million, HK$326.5 million and HK$223.2 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 59.6 per cent., 51.3 per cent. and 86.5 per cent. of its total revenue during the same periods, respectively. The Issuer Group's interest revenue amounted to HK$209.6 million, HK$106.4 million and HK$49.4 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 36.3 per cent., 16.7 per cent. and 19.1 per cent. of its total revenue during the same periods, respectively. The Issuer Group's net trading and investment income amounted to HK$23.4 million and HK$203.5 million for the years ended 31 December 2020 and 2021, respectively, representing 4.1 per cent. and 32.0 per cent. of its total revenue during the same periods, respectively. The Issuer Group incurred net trading and investment loss of HK$14.6 million for the year ended 31 December 2022.

The following table sets forth a breakdown of the revenue and other income of the Issuer Group by segment for the period indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(HK$)	*%*	*(HK$)*	*%*	*(HK$)*	*%*
Commission and fee income						
Brokerage:	**184,969,148**	**32.1**	**210,818,267**	**33.1**	**157,800,167**	**61.2**
– Commission and fee income from securities brokerage	163,516,796	28.4	191,890,547	30.1	142,392,737	55.2
– Commission and fee income from futures and options brokerage	19,713,674	3.4	17,326,795	2.7	14,803,471	5.8
– Commission income from insurance brokerage	1,738,678	0.3	1,600,925	0.3	603,959	0.2
Corporate finance:	**129,278,835**	**22.4**	**82,620,681**	**13.0**	**45,709,535**	**17.7**
Commission on placing, underwriting and sub-underwriting						
– Debt securities	50,184,052	8.7	50,776,112	8.0	33,802,428	13.1
– Equity securities	9,315,890	1.6	4,618,264	0.7	3,251,007	1.3
– Corporate advisory fee income	3,245,430	0.6	2,965,476	0.5	662,500	0.2
– Sponsor fee income	8,750,000	1.5	1,956,376	0.3	5,650,000	2.2
– Arrangement fee income	57,783,463	10.0	22,304,453	3.5	2,343,600	0.9
Asset Management:	**29,418,036**	**5.1**	**33,101,782**	**5.2**	**19,700,817**	**7.6**
– Asset management fee income	25,527,301	4.4	28,489,935	4.5	17,592,251	6.8
– Investment advisory fee income	3,890,735	0.7	4,611,847	0.7	2,108,566	0.8
Interest revenue						
Financial products and investments:	**58,756,322**	**10.2**	**10,744,657**	**1.7**	**19,295,368**	**7.5**
– Interest income from reverse repurchase agreements	58,756,322	10.2	10,744,657	1.7	6,664,845	2.6
– Interest income from debt investments at fair value through other comprehensive income	–	–	–	–	8,710,680	3.4
– Interest income from debt investments at amortised cost	–	–	–	–	3,919,843	1.5
Margin financing:	**150,832,693**	**26.2**	**95,611,566**	**15.0**	**30,097,837**	**11.7**
– Interest income from margin financing	150,832,693	26.2	95,611,566	15.0	30,097,837	11.7
Net trading and investment income						
Financial products and investments:	**23,445,137**	**4.0**	**203,473,756**	**32.0**	**(14,599,536)**	**(5.7)**
– Interest income from financial assets at fair value through profit or loss	468,847,379	81.3	261,610,580	41.1	277,501,172	107.6
– Dividend income from financial assets at fair value through profit or loss	15,038,786	2.6	8,911,838	1.4	6,279,937	2.4
– Net loss on financial assets at fair value through profit or loss	(376,669,474)	(65.3)	(42,023,342)	(6.6)	(510,821,170)	(198.0)
– Interest income from derivatives	7,056,956	1.2	8,037,051	1.3	6,164,915	2.4
– Net gain/(loss) on derivatives	(60,914,994)	(10.6)	2,354,872	0.4	128,976,195	50.0
– Net gain/(loss) on financial liabilities at fair value through profit or loss	(29,913,516)	(5.2)	(35,417,243)	(5.6)	41,092,493	15.9
– Dividend income from equity securities designated at fair value through other comprehensive income	–	–	–	–	36,206,922	14.0
Total revenue	576,700,171	100.0	636,370,709	100.0	258,004,188	100.0

ISSUER GROUP COMPETITIVE STRENGTHS

The Issuer Group believes that the following strengths distinguish it from its competitors:

- The Issuer Group is a fast-growing securities group with a strong capital base in Hong Kong
- The Issuer Group benefits from PRC enterprises listed in Hong Kong
- The Issuer Group benefits from its history as a subsidiary of the Guarantor and the brand reputation associated with "興證"
- The Issuer Group provides full-service offerings tailored to the varying needs of its clients
- The Issuer Group has a professional and seasoned team with diverse backgrounds

ISSUER GROUP BUSINESS STRATEGIES

The capital markets may continue to face challenges due to certain factors, including a high interest rate environment and geopolitical risks. However, with the relaxation of the pandemic prevention and control policy and the full resumption of normal travel between Hong Kong and Mainland China, the economy may usher in a recovery and the capital markets are expected to recover, and investor confidence will be recast, providing momentum for the development of the securities industry in Hong Kong. The Issuer Group believes that the pace of Chinese enterprises "going global" will quicken and a rising number of Chinese enterprises will increase their interaction with global capital markets, driving even more Chinese capital abroad and increasing demand amongst Chinese investors for financial services in Hong Kong. In addition, it is expected that more overseas capital will be deployed into China, which will, in turn, further promote the expansion and opening up of the Chinese capital markets. The role of Hong Kong as an offshore Renminbi centre and an important regional financial hub has become increasingly crucial throughout this process. As an important gateway into Hong Kong's capital markets, the Issuer Group expects that it will continue to benefit from such trends through the implementation of the following strategies.

- Optimising client base by increasing diversification of client sources and offering customised services
- Continuing to enrich brokerage and wealth management services
- Build an international professional platform and consolidate wealth management and institutional businesses

ISSUER GROUP RECENT DEVELOPMENTS

On 18 January 2024, the board of directors of the Issuer announced that Mr. CAI Junzheng has tendered his resignation as an executive director and the chief executive officer of the Issuer with effect from 18 January 2024. Ms. Zhang Chunjuan, an executive director of the Issuer, will succeed Mr. Cai as the chief executive officer of the Issuer with effect from 18 January 2024. For more details, please see "*DIRECTORS OF THE ISSUER*".

On 21 August 2023, the Issuer Group published its interim financial information for the six months ended 30 June 2023 and on 24 August 2020 the Issuer Group published its interim financial report for the six months ended 30 June 2023 (the "**Issuer Group Interim Financial Information**"). The Issuer Group prepared the Issuer Group Interim Financial Information in accordance with the applicable disclosure provisions of the Listing Rules. The Issuer Group Interim Financial Information is not audited or reviewed and it may differ from future audited or reviewed information. The Issuer Group Interim Financial Information is not included in and does not form part of this Offering Circular and is not incorporated, directly or indirectly, in any form or manner, into this Offering Circular. Investors should therefore not rely on the Issuer Group Interim Financial Information in making their investment decision.

For the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, the Issuer Group's operating revenue increased, and the Issuer Group recorded a net gain after tax for the six months ended 30 June 2023 as compared to a net loss for the six months ended 30 June 2022. The main reasons for the gain was primarily because revenue from the Issuer Group's financial products and investments business increase substantially.

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds".

Issuer	China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司
Guarantor	Industrial Securities Co., Ltd.（興業證券股份有限公司）
The Bonds	U.S.$300,000,000 aggregate principal amount of Floating Rate Guaranteed Bonds due 2027.
Issue Price	100.0 per cent.
Form and Denomination .	The Bonds will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	2 February 2024.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 2 February 2024 at the rate which is equal to Compounded SOFR Index plus 0.90 per cent. per annum, payable in arrear on 2 February, 2 May, 2 August and 2 November in each year. If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.
Maturity Date	The Interest Payment Date falling on or nearest to 2 February 2027.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 4 of the Terms and Conditions of the Bonds, and as provided in a deed of guarantee to be dated on or about 2 February 2024 (the "**Deed of Guarantee**" or the "**Guarantee**"). The Guarantor is required by the Cross-border Security Registration to register the Guarantee with SAFE within 15 working days after its execution. SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. See also "*Risk Factors – Risks Relating to the Bonds and the Guarantee – Any failure to complete the relevant filings and/or submit the requisite information and documents under the NDRC Administrative Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.*"

Status of the Bonds and the Guarantee . . . . The Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Negative Pledge . . . . The Bonds will contain a negative pledge provision as further described in Condition 5.1 (*Negative Pledge*) of the Terms and Conditions of the Bonds.

Events of Default . . . . . . Upon the occurrence of certain events as described in Condition 11 (*Events of Default*) of the Conditions, in respect of the Issuer and the Guarantor, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in the principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

Cross-Acceleration . . . . . The Bonds will contain a cross-Acceleration provision in relation to the Issuer and the Guarantor as further described in Condition 11.1(c) (*Cross-Acceleration*) of the Conditions.

Taxation . . . . All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any of the Relevant Jurisdictions (as defined in the Conditions), unless the withholding or deduction of the Taxes (as defined in the Conditions) is required by law.

Where such withholding or deduction is made by the Issuer or the Guarantor by or within the PRC at the rate of up to and including the Applicable Rate (as defined in the Conditions), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amount received by Bondholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.

	In the event that any such PRC deduction or withholding in excess of the Applicable Rate or any deduction or withholding by or within the Cayman Islands is required, the Issuer or, as the case may be, the Guarantor shall pay (except in certain circumstances set out in Condition 9 (*Taxation*)) such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed, or purchased and cancelled in the circumstances referred to in the Conditions, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption upon a Change of Control or No Registration Event .	At any time following the occurrence of a Change of Control or No Registration Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See Condition 8.3 (*Redemption for Change of Control or No Registration Event*) of the Conditions.
Redemption at the Option of the Issuer	On or after 2 January 2027, being the date that falls one month prior to the Maturity Date, the Issuer may redeem the Bonds at any time by giving not less than 30 nor more than 60 days' irrevocable notice to the Bondholders (in accordance with Condition 14 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at their principal amount together with interest accrued to the date fixed for redemption but unpaid, in the event that as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in the Conditions), or any change in, or amendment to, the application or official interpretation of such laws or regulations the Issuer or, as the case may be, the Guarantor would be required to pay Additional Tax Amounts and such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. See Condition 8.2 (*Redemption and Purchase – Redemption for Taxation Reasons*) of the Conditions.
Further Issues	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further notes or bonds either (i) ranking *pari passu* in all respects (or in all respects save for their issue date and the first payment of interest thereon and the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that the same shall be consolidated and form a single series with the outstanding bonds or securities of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (ii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of issue, subject to certain conditions as further described in Condition 18 (*Further Issues*) of the Terms and Conditions of the Bonds. See "*Terms and Conditions of the Bonds – Further Issues*".

Trustee	The Bank of New York Mellon, London Branch
Transfer Agent and Registrar	The Bank of New York Mellon SA/NV, Dublin Branch
Principal Paying Agent and Calculation Agent.	The Bank of New York Mellon, London Branch
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Closing Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law	The Trust Deed, Agency Agreement, the Guarantee and the Bonds 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.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of and permission to deal in the Bonds, by way of debt issues to Professional Investors only.
Ratings	The Guarantor has been assigned a corporate rating of "BBB" with a stable outlook by Fitch. The Bonds are expected to be rated "BBB" by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions	The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States and, subject to certain exceptions, may not be offered or sold within the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Japan and the Cayman Islands. The Bonds may be sold in other jurisdictions only in compliance with applicable laws and regulations. See "*Subscription and Sale*".
ISIN	XS2742422210
Common Code.	274242221
Legal Entity Identifier of the Issuer.	549300TA9JLZ5CGW8A68.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the Group's and the Issuer Group's summary consolidated financial information as at and for the years indicated.

The summary consolidated financial information of the Group as at and for the years ended 31 December 2020, 2021 and 2022 set forth below is derived from the consolidated financial statements of the Guarantor for the years ended 31 December 2021 and 2022 (which have been audited by KPMG Huazhen).

The Guarantor's audited consolidated financial statements for the years ended 31 December 2021 and 2022 are prepared in Chinese and have been translated into English for the purposes of inclusion in this Offering Circular for reference purposes only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Chinese Financial Statements are incorporated by reference and are considered to be a part of this Offering Circular. Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the Group's affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date. The Financial Statements Translation does not itself constitute audited or reviewed financial statements, and is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Chinese Financial Statements. The Chinese Financial Statements are available at the following website: http://www.sse.com.cn. Nothing else in the Shanghai Stock Exchange's website, other than the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 (together with the auditor's reports and the notes thereto), is incorporated by reference into, or made a part of, this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained therein is accurate, truthful or complete.

The summary consolidated financial information of the Issuer Group as at and for the years ended 31 December 2020, 2021 and 2022 set forth below is derived from the consolidated financial statements of the Issuer for the years ended 31 December 2021 and 2022 (which have been audited by KPMG). None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified any of the information contained therein and can give assurance that such information is accurate, truthful or complete.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer and the Financial Statements Translation, which are included in the F-pages of this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

*The financial statements of the Guarantor were prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain material respects from International Financial Reporting Standards ("**IFRS**"). The Guarantor has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".*

*The financial statements of the Issuer have been prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), which differ in certain respects from generally accepted accounting principles in other jurisdictions. Potential investors must exercise caution when using such data to evaluate its financial condition and results of operations.*

*With effect from 1 January 2020, the Group adopted Accounting Standards for Business Enterprises No. 14 – Revenue (Revised) (the "**New Revenue Standard**"), the No. 13 Interpretation of Accounting Standards for Business Enterprises (Cai Kuai [2019] No. 21) and the Regulations on the Accounting Treatment of Rent Reductions Related to COVID-19 (Cai Kuai [2020] No. 10). The adoption of these provisions did not have a significant impact on the Group's financial position and operating results.*

Under the previous revenue standard, the Group used the transfer of risk and reward as the criterion for determining the timing of revenue recognition. Under the New Revenue Standard, the Group uses the transfer of control as the criterion for determining the timing of revenue recognition. The Group adjusted the Group's retained earnings at the beginning of 2020 and the amounts of other related items in the financial statements based on the cumulative impact of the New Revenue Standard.

*With effect from 1 January 2021, the Group adopted Accounting Standards for Business Enterprises No. 21 – Lease (Revised) (Cai Kuai [2018] No. 35) (the "**New Lease Standard**") and implemented Regulations on the Accounting Treatment of Rent Concessions Related to COVID-19 (Cai Kuai [2020] No. 10), Notice on Adjusting the Applicable Scope of the Accounting Treatment of Rent Concessions Related to the COVID-19 Epidemic (Cai Kuai [2021] No. 9) and Interpretation No. 14 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 1) promulgated by the MOF.*

The New Lease Standard refines the definition of a lease. The Group assesses whether a contract is or contains a lease in accordance with the definition in the New Lease Standard. For contracts existed before the date of initial application, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application and surplus. Under the New Lease Standard, the Group no longer distinguishes between operating leases and finance leases. The Group recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using practical expedient). The Group has elected to recognise the cumulative effect of adopting the New Lease Standard as an adjustment to the opening balances of retained earnings and other related items in the financial statements as at and for the year ended 31 December 2021. Under the New Lease Standard, the Group, as the lessor of a sub-lease, is required to assess the classification of the sub-lease with reference to the right-of-use asset, not the underlying asset. The Group reassessed sub-leases that were classified as operating leases and were ongoing at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sub-lease at the date of initial application, and determined the classification of sub-lease applying this standard. For sub-leases that were classified as finance leases, the Group accounted for the sub-lease as a new finance lease. The Group is not required to make any adjustments to the opening balances of retained earnings and other related items in the financial statements in the initial year of application and surplus for leases for which it acts as a lessor, except for sub-leases. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate as at 1 January 2021. The weighted average interest rates used by the Group and the Company are between 3.46 per cent. and 4.00 per cent. and 3.46 per cent., respectively.

With effect from 1 January 2022, the Group adopted the provisions of Accounting Treatment of the Income Tax Effect of Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer in Accounting Standards for Business Enterprises Interpretation No. 16 (Cai Kuai [2022] No. 31) and implemented interpretation of the provisions in No. 16 on the accounting treatment of an enterprise modifying a cash-settled share-based payment to an equity-settled share-based payment. The adoption of the above provisions did not have significant effect on the financial position and financial performance of the Group.

*The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") issued the following amendments to HKFRSs that are first effective as at 1 January 2020: Amendments to HKFRS 3, Definition of a Business and Amendment to HKFRS 16, Covid-19-Related Rent Concessions. Neither of these amendments to HKFRSs have had a material effect on how the Issuer Group's results and financial position have been prepared or presented.*

The HKICPA issued the following amendments to HKFRSs that are first effective as at 1 January 2021: Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform – phase 2 and Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021. Neither of these amendments to HKFRSs have had a material effect on how the Issuer Group's results and financial position have been prepared or presented.

The HKICPA issued the following amendments to HKFRSs that are first effective as at 1 January 2022: Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use and Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract. Neither of these amendments to HKFRSs have had a material effect on how the Issuer Group's results and financial position have been prepared or presented.

THE GROUP

Summary Consolidated Balance Sheet Data of the Group

	As at 31 December			
	2020	**2021**	**2022**	
	(RMB in '000)	*(RMB in '000)*	*(RMB in '000)*	*(USD in '000) (unaudited)*
Assets:				
Cash at bank and on hand	48,924,494	66,854,434	80,351,781	11,649,913
Balances with clearing companies	7,308,104	6,612,408	9,097,146	1,318,962
Margin accounts	31,025,020	34,458,474	28,647,297	4,153,468
Derivative financial assets	49,480	268,757	1,527,429	221,456
Refundable deposits	6,922,793	9,181,176	10,287,338	1,491,524
Accounts receivable	1,951,852	1,691,382	1,719,531	249,309
Financial assets held under resale agreements	4,552,495	6,671,665	10,008,368	1,451,077
Financial assets held for trading	49,574,401	60,101,962	62,627,149	9,080,083
Debt investments	–	–	2,213,669	320,952
Other debt investments	21,592,386	22,132,860	28,430,937	4,122,098
Investments in other equity instruments	2,552,846	–	1,550,618	224,818
Long-term equity investments	2,333,952	4,728,881	4,865,350	705,409
Investment properties	103,247	10,325	9,765	1,416
Fixed assets	651,686	799,669	861,466	124,901
Construction in progress	–	4,260	–	–
Right-of-use assets	–	851,784	697,251	101,092
Intangible assets	259,155	362,434	432,776	62,747
Goodwill	12,264	12,264	12,264	1,778
Deferred tax assets	1,109,217	1,149,740	988,223	143,279
Other assets	2,096,304	1,570,866	1,530,939	221,965
Total assets	**181,019,697**	**217,463,341**	**245,859,298**	**35,646,247**
Liabilities:				
Short-term loans	3,863,492	433,448	894,080	129,629
Short-term financing payables	8,583,219	7,970,752	4,741,201	687,410
Placements from banks and other financial institutions	530,079	1,500,411	2,964,718	429,844
Financial liabilities held for trading	2,617,020	1,987,545	2,694,684	390,692
Derivative financial liabilities	132,678	474,744	513,836	74,499
Financial assets sold under repurchase agreements	25,780,653	30,245,317	30,106,891	4,365,089
Accounts payable to brokerage and margin clients	44,535,263	60,512,271	71,570,317	10,376,721
Accounts payable to securities underwriting clients	136,604	100,000	–	–
Employee benefits payable	5,479,761	6,603,205	5,274,556	764,739
Taxes payable	1,866,395	2,062,193	556,790	80,727
Accounts payables	2,668,337	5,764,637	15,594,137	2,260,937
Contract liabilities	63,520	71,524	83,718	12,138
Debentures payable	43,175,256	52,881,795	52,355,769	7,590,873
Lease liabilities	–	847,005	700,279	101,531
Deferred tax liabilities	25,801	222,698	165,437	23,986
Other liabilities	726,195	430,321	805,419	116,775
Total liabilities	**140,184,272**	**172,107,865**	**189,021,831**	**27,405,589**

	As at 31 December			
	2020	2021	2022	
	(RMB in '000)	(RMB in '000)	(RMB in '000)	(USD in '000) (unaudited)
Shareholders' equity:				
Share capital	6,696,672	6,696,672	8,635,987	1,252,100
Capital reserve	14,376,952	14,376,952	22,472,127	3,258,152
Other comprehensive income	356,093	269,294	227,499	32,984
Surplus reserve	2,010,989	2,308,550	2,509,897	363,901
General risk reserve	5,018,446	5,990,435	6,665,191	966,362
Retained earnings	9,279,420	11,547,540	11,754,034	1,704,175
Total equity attributable to shareholders of the Company	37,738,571	41,189,442	52,264,735	7,577,674
Non-controlling interests	3,096,853	4,166,033	4,572,731	662,984
Total shareholder's equity	**40,835,424**	**45,355,476**	**56,837,467**	**8,240,658**
Total liabilities and shareholders' equity	**181,019,697**	**217,463,341**	**245,859,298**	**35,646,247**

Summary Consolidated Income Statement Data of the Group

	For the year ended 31 December			
	2020	2021	2022	
	(RMB in '000)	(RMB in '000)	(RMB in '000)	(USD in '000) (unaudited)
Operating income	**17,579,687**	**18,972,169**	**10,659,638**	**1,545,502**
Net interest income	1,167,351	1,724,165	1,923,557	278,890
Net fee and commission income	7,778,063	10,105,797	7,136,890	1,034,752
Investment gains	5,118,967	3,178,407	250,995	36,391
Other income	197,422	197,809	361,248	52,376
Gains from changes in fair value	(376,882)	603,196	263,509	38,205
Exchange (losses)/gains	26,791	47,706	(34,924)	(5,064)
Other operating income	3,667,548	3,111,279	757,864	109,880
Gains from disposal of assets	427	3,811	498	72
Operating expenses	**11,380,016**	**11,264,172**	**6,539,849**	**948,189**
Taxes and surcharges	98,867	107,205	71,035	10,299
General and administrative expenses	6,757,876	8,130,634	5,608,858	813,208
Credit impairment loss	610,698	(43,293)	73,589	10,669
Reversal of impairment losses on other assets	26,725	(20,800)	(5,925)	(859)
Other operating costs	3,885,850	3,090,426	792,292	114,872
Operating profit	**6,199,671**	**7,707,997**	**4,119,789**	**597,313**
Add: Non-operating income	2,294	601	1,591	231
Less: Non-operating expenses	46,462	45,353	25,340	3,674
Profit before income tax	**6,155,504**	**7,663,245**	**4,096,040**	**593,870**
Less: Income tax expense	1,571,597	1,807,826	753,213	109,206
Net profit for the year	**4,583,906**	**5,855,419**	**3,342,827**	**484,664**
Shareholders of the Company	4,003,314	4,743,070	2,637,076	382,340
Non-controlling interests	580,592	1,112,348	705,751	102,324
Other comprehensive income, net of tax	(237,788)	(126,019)	33,493	4,856
Other comprehensive income (net of tax) attributable to shareholders of the Company	(142,632)	(86,799)	(41,796)	(6,060)
Items that will not be reclassified to profit or loss	42,644	(89,072)	(60,183)	(8,726)
Items that may be subsequently reclassified to profit or loss	(185,276)	2,274	18,387	2,666
Other comprehensive income (net of tax) attributable to non-controlling interests	(95,156)	(39,221)	75,289	10,916
Total comprehensive income for the year	4,346,118	5,729,399	3,376,320	489,520
Attributable to shareholders of the Company	3,860,682	4,656,272	2,595,280	376,280
Attributable to non-controlling interests	485,436	1,073,128	781,040	113,240

Summary Cash Flow Statement Data of the Group

	For the year ended 31 December			
	2020	2021	2022	
	(RMB in '000)	*(RMB in '000)*	*(RMB in '000)*	*(USD in '000) (unaudited)*
Net cash flows generated from operating activities	7,683,859	15,206,108	22,656,414	3,284,871
Net cash flows used in investing activities	1,844,804	(935,389)	(9,847,238)	(1,427,715)
Net cash generated from financing activities	(8,073,371)	2,115,454	2,755,401	399,496
Effect of foreign exchange rate changes	26,791	47,706	(34,924)	(5,064)
Net increase in cash and cash equivalents	**1,482,083**	**16,433,879**	**15,529,653**	**2,251,588**
Cash and cash equivalents at the beginning of the year	52,909,338	54,391,421	70,825,301	10,268,703
Cash and cash equivalents at the end of the year	**54,391,421**	**70,825,301**	**86,354,954**	**12,520,291**

THE ISSUER GROUP

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Issuer Group

	For the year ended 31 December		
	2020	2021	2022
	(HK$ in '000)	*(HK$ in '000)*	*(HK$ in '000)*
Commission and fee income	343,666	326,541	223,211
Interest revenue	209,589	106,356	49,393
Net trading and investment income	23,445	203,474	(14,600)
Total revenue	576,700	636,371	258,004
Other income	110,665	31,386	116,494
Share of result of a joint venture	3,841	(20,060)	–
Finance costs	(487,533)	(187,872)	(182,003)
Commission and fee expenses	(90,921)	(64,536)	(62,900)
Staff costs	(169,962)	(159,928)	(160,103)
Other operating expenses	(160,609)	(166,203)	(163,018)
Impairment losses on financial assets	(368,492)	(95,493)	(82,463)
Other gains or losses	55,064	75,713	(29,294)
(Loss)/profit before taxation	(531,247)	49,378	(305,283)
Taxation	38,709	(9,284)	7,881
(Loss)/profit for the year attributable to:	**(492,538)**	**40,094**	**(297,402)**
Holders of ordinary shares of the Company	(492,538)	40,094	(297,402)
Holders of other equity instruments of the Company	–	–	–
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income			
Net movement in fair value reserve (non-recycling)	–	–	(67,928)
Items that may be reclassified subsequently to profit or loss:			
Debt investments at fair value through other comprehensive income			
Net movement in fair value reserve (recycling)	–	–	(26,990)
Other comprehensive income for the year, net of tax	**–**	**–**	**(94,918)**
Total comprehensive income for the year attributable to:	**(492,538)**	**40,094**	**(392,320)**
Holders of ordinary shares of the Company	(492,538)	40,094	(392,320)
Holders of other equity instruments of the Company	–	–	–
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic (expressed in HK$)	(0.1231)	0.0100	(0.0744)

Summary Consolidated Statement of Financial Position of the Issuer Group

	As at 31 December		
	2020	2021	2022
	(HK$ in '000)	*(HK$ in '000)*	*(HK$ in '000)*
Current assets			
Accounts receivable	3,481,413	1,518,485	1,167,457
Reverse repurchase agreements	398,139	120,712	–
Financial assets at fair value through profit or loss	7,965,084	4,892,257	2,818,656
Financial assets at fair value through other comprehensive income	–	–	2,174,690
Statutory deposits	24,096	30,464	16,786
Deposits, other receivables and prepayments	332,618	139,002	169,308
Tax receivable	6,160	4,465	3,707
Bank balances – trust accounts	3,314,653	4,268,418	2,874,093
Bank balances – general accounts and cash	2,286,224	5,458,957	2,703,949
Total current assets	**17,808,387**	**16,432,760**	**11,928,646**
Non-current assets			
Property and equipment	97,077	76,002	33,463
Intangible assets	11,725	7,659	11,726
Interest in a joint venture	36,186	16,126	–
Financial assets at fair value through profit or loss	51,236	16,616	24,727
Debt investments at amortised cost	–	–	214,954
Reverse repurchase agreements	90,799	90,036	92,947
Statutory deposits	26,920	19,063	17,396
Deferred tax assets	124,541	121,594	133,465
Deposits, other receivables and prepayments	16,820	14,947	14,858
Total non-current assets	**455,304**	**362,043**	**543,536**
Current liabilities			
Accounts payable	4,012,907	4,786,179	3,150,507
Accruals and other payables	172,262	101,673	32,035
Amount due to a fellow subsidy	1,352	4,560	1,316
Amount due to the immediate holding company	–	2,300,853	–
Contract liabilities	427	5,050	5,356
Tax payable	5,950	252	695
Financial liabilities at fair value through profit or loss	151,540	65,396	50,926
Repurchase agreements	3,235,028	1,970,120	1,958,528
Bank borrowings	3,823,475	530,147	1,000,907
Other borrowings	766,958	–	–
Notes	69,770	–	–
Lease liabilities	35,251	37,326	16,305
Other liabilities	301,754	238,046	180,721
Total current liabilities	**12,576,674**	**10,039,602**	**6,397,296**
Net current assets	**5,231,713**	**6,393,158**	**5,531,350**
Non-current liabilities			
Bonds	–	2,352,318	2,079,992
Deferred tax liabilities	22	19	16
Amount due to the immediate holding company	2,286,899	–	–
Lease liabilities	52,992	15,666	–
Total non-current liabilities	**2,339,913**	**2,368,003**	**2,080,008**
Net assets	**3,347,104**	**4,387,198**	**3,994,878**
Capital and reserves			
Share capital	400,000	400,000	400,000
Share premium	3,379,895	3,379,895	3,379,895
Accumulated loss	(886,811)	(846,717)	(1,144,119)
Other reserve	11,578	11,578	11,578
Capital reserve	442,442	442,442	442,442
Fair value reserve	–	–	(94,918)
Equity attributable to holders of the ordinary shares	3,347,104	3,387,198	2,994,878
Equity attributable to holders of other equity instruments	–	1,000,000	1,000,000
Total equity	**3,347,104**	**4,387,198**	**3,994,878**

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular (including the financial statements and the Bonds thereto), before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that the Issuer Group and/or the Group faces. Additional risks and uncertainties that the Issuer Group and the Group is not aware of or that the Issuer Group and the Group currently believes are immaterial may also adversely affect its business, financial condition or results of operations. If any of the possible events described below occur, the Issuer Group's and/or the Group's business, financial condition or results of operations could be materially and adversely affected, the trading price of the Bonds could decline and investors may lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Issuer Group's and/or the Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE MARKET IN WHICH THE GROUP OPERATES

Unfavourable or uncertain economic and market conditions could undermine investors' confidence which could materially and adversely affect the business, results of operations and prospects of the Group

The Group's business is highly dependent on securities trading, margin financing and corporate finance activities in the PRC and Hong Kong, which in turn are dependent on global and local market conditions. Adverse changes in general economic or financial conditions increase the volatility of the securities market, thereby weakening investors' confidence in and reducing securities trading, margin financing and corporate finance activities, which, in turn, would materially and adversely affect the commission and fee income from the securities and futures brokerage business of the Group and the brokerage business of the Issuer Group, interest income from the margin financing business of the Issuer Group and underwriting commissions, financial advisory fees and sponsor fees from the investment banking business of the Group and the corporate finance business of the Issuer Group. Given the constant exposure to credit risk, there is an increased risk of defaults by highly leveraged enterprises and private enterprises. These conditions tend to reduce the value of the Group's clients' portfolios, decrease investor confidence and reduce investing activities, making it more difficult for the Group to retain existing clients and attract new clients. These conditions in turn may adversely affect the Group's brokerage revenue. The Group's proprietary investing business may also be adversely affected by the reduction in the value of its trading and investment positions, which in turn would adversely affect the Group's results of operations and financial condition and access to liquidity.

The Group may also experience decreases in the asset management fees earned from its asset management business during periods of adverse economic and market conditions due to the reduced value of the Group's asset management portfolio, the reduced opportunity to realise investment value from the investments and increased client redemptions. Unfavourable market conditions and market volatility could also lead to an increase in the risk of default in the margin financing and loans that the Issuer Group has provided to its clients, material reductions in the value of the collateral provided and consequently adversely impact the overall financial performance of the Issuer Group.

The PRC, Hong Kong and overseas securities markets are impacted by changes in the economic cycle of China and Hong Kong, volatility in financial markets and international events. Recently, due to the combined effects of unfavourable factors such as the U.S. Federal Reserve's recent interest rate hikes and geopolitical conflicts such as the Russia-Ukraine War, the securities industry has experienced unprecedented difficulties in its operating environment and the overall profitability of the industry was impacted, which also brought pressure and challenges to the Group's operations. As the Group's business is subject to the performance of the PRC securities market, the Hong Kong securities market and global market conditions, there is no assurance that the future growth of the Group will reflect its historical growth or that the Group will be able to maintain the same level of growth under uncertain or unstable economic conditions.

The business operations of the Group are concentrated in the PRC and Hong Kong and any material deterioration in the public health, economic, political and regulatory environment in the PRC and Hong Kong could materially and adversely affect the business and prospects of the Group

Substantially all of the Group's business operations are carried out in the PRC and Hong Kong. Therefore, the Group's business, results of operations and prospects are susceptible to any development or change in government policies, as well as economic, social, political and legal developments in the PRC and Hong Kong. For the risks associated with any adverse change or uncertainty in local economic and market conditions affecting the finance sector in the PRC and Hong Kong, see "*Risks Relating to the Market in which the Group Operates – Unfavourable or uncertain economic and market conditions could undermine investors' confidence which could materially and adversely affect the Group's business, results of operations and prospects*" above.

The PRC economy has experienced rapid growth in the past 40 years. However, there has been a slowdown in the growth of the PRC's gross domestic product ("**GDP**") since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2022 slowed down to 3.0 per cent. on a year-on-year basis compared to 8.4 per cent. and 2.2 per cent. in 2021 and 2020, respectively. The future performance of PRC economy is not only affected by the economic and monetary policies of the PRC government, but also exposed to changes in the global economic and political environment. If the PRC's economy experiences a continued slowdown in growth or a downturn in the future, the Group's PRC business and its ability to implement any growth strategies involving the PRC could be materially and adversely affected.

Further, events which adversely impact investors' confidence and risk appetite, such as pandemic, civil disturbances and/or general deterioration of the local economy, may lead to a reduction in investment or trading activities and in turn the Group's business performance. Any actual or perceived decrease in Hong Kong's reputation and standing as a safe and reliable commercial hub would negatively affect Hong Kong's economy. Any adverse changes in local economic, social and political conditions may lead to a prolonged period of sluggish market activity which would in turn have an adverse impact on the business and operating performance of the Group.

If the Group is unable to compete effectively against competitors, its business, financial condition, results of operations and prospects may be materially and adversely affected

The financial services industries in the PRC and Hong Kong have a large number of participants which makes the industries highly competitive. The Group competes against competitors which may have greater brand recognition, stronger human and financial resources, a wider range of services and longer operating histories than the Group. Apart from large multinational financial institutions, the Group also face competition from local medium and small-sized financial services firms which offer a similar range of services. There is no assurance that the Group will be able to maintain its competitive strengths by responding rapidly to the changing business environment or to capture new market opportunities. Any intensified competition may result in further downward pressure on brokerage commission rate and fees charged for the services provided by the Group, which in turn may erode its market share and have material and adverse impact on its profitability and results of operations.

Failure to comply with the extensive regulations in China and Hong Kong may interrupt with the Group's operations

As a participant in the financial services industry, the Group is subject to extensive rules and regulations, which may limit the types of products and services the Group may offer by imposing capital requirements, and restrict the Group's business activities by specifying the types of securities in which the Group may invest.

The business and operations of the Group are subject to a number of PRC and Hong Kong laws and regulations relating to the securities and financial services industry. Details of some of the more important applicable laws and regulations in the PRC may be found in the sections titled "*PRC Regulations – Major Regulatory Authorities and Self-Regulatory Organisations*" and "*PRC Regulations – Industry Entry Requirements*". In Hong Kong, these laws and regulations include the SFO, the subsidiary legislations of the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "**C(WUMP)O**"), the Codes on Takeovers and Mergers and Share-Buy-Backs, the Listing Rules, the Stock Exchange Trading Rules, the MLO and other codes and guidelines published by relevant regulators from time to time. These laws and regulations set out the licensing requirements, regulate the operational activities and standards of the Group, impose requirements to maintain minimum liquid capital and such other filing, record keeping and reporting obligations relevant to the business operations of the Group. There might be changes in the rules and regulations and regulatory initiatives from time to time in response to the changing regulatory and market environments. Any such changes or initiatives might result in an increase in the Group's cost of compliance, increase its liquid capital requirements or restrict its business activities or future expansion. If the Group fails to comply with the applicable rules and regulations, the Group may be subject to fines, or even suspension or revocation of some or all its licences for carrying out its business activities.

Relevant regulatory authorities conduct inspections, examinations and inquiries on a regular basis and require certain third party reviews (such as auditor assurance engagements). For example, in the PRC the CSRC periodically evaluates and assigns a regulatory rating to each securities firm, including members of the Group, based on each firm's risk management capabilities, competitiveness and compliance with regulatory requirements. In Hong Kong, the Issuer Group is subject to regulatory inspections from time to time and it is required to engage an external auditor annually to conduct an assurance engagement covering compliance with SFC trading rules, including record keeping. If the results of the inspections or independent reviews reveal serious misconduct, the SFC may conduct further investigations and take disciplinary actions, including revocation or suspension of licences, public or private reprimand or imposition of pecuniary penalties against the Issuer Group, its responsible officers or licensed representatives. The relevant regulatory authorities in the PRC and Hong Kong also investigate and penalise violations of the relevant laws and regulations. For example, in August 2023, the SFC reprimanded and fined CISI Brokerage HK$3.5 million for internal control failures relating to monitoring of suspicious trading activities and recording of client order instructions and in November 2020 the Fujian Province Securities Regulation Bureau issued a warning letter to an employee of the Group for unethical conduct during the process of recommending a company for listing on a stock exchange. Disciplinary actions taken against the Group, and/or the Group's directors, responsible officers or licensed representatives, relevant staff or management involved could have an adverse impact on the business, reputation and results of operations of the Group.

The Group is subject to capital requirements that may restrict its business activities

CSRC requires investment banks in China to maintain certain minimum net capital ratios and net capital requirements. For example, investment banks in China must maintain a minimum net capital to net assets ratio of 20 per cent., a net capital to risk capital reserves ratio of 100 per cent., a core net capital to total on- and off-balance sheet assets ratio of 8 per cent., a net capital to total adjusted liabilities ratio of 8 per cent., and a net assets to total adjusted liabilities ratio of 10 per cent. If the Group fails to promptly adjust its asset composition to meet the relevant capital requirements, the Group may be restricted from operating its businesses and the Group's business, financial condition and results of operations may be adversely affected.

RISKS ASSOCIATED WITH THE BUSINESS OPERATIONS OF THE GROUP

The Issuer Group has incurred losses for certain business segments for the years ended 31 December 2020, 2021 and 2022 and may suffer further loss for certain business segments

The Issuer Group has incurred losses for certain business segments for the years ended 31 December 2020, 2021 and 2022. For example, for the year ended 31 December 2022, the Issuer Group's margin financing segment, corporate finance segment, asset management segment and financial products and investments segment experienced losses due to (i) tightening global monetary policies, geopolitical tensions and the COVID-19 pandemic leading to the net loss resulting from fair value changes of equity and debt investments held by the Issuer Group and (ii) recession of the Hong Kong capital markets, leading to an increase in expected credit loss on accounts receivables arising from margin loans. As a result, the Issuer Group suffered a net loss of HK$297.4 million for the year ended 31 December 2022. The Issuer or the Issuer Group may not be able to achieve profitability in the future or at the same level as the Issuer or the Issuer Group did in the past. If the Issuer or the Issuer Group fails to manage the profitability of the Issuer's and the Issuer Group's business segments, the Issuer's and the Issuer Group's overall profitability and results of operations may be materially and adversely affected.

The level of indebtedness of the Group and the Issuer Group may materially and adversely affect their business and limit their growth

As of 31 December 2020, 2021 and 2022, the total indebtedness (comprising short-term loans, short-term financing payables, placements from banks and other financial institutions, financial assets sold under repurchase agreements and debentures payable) of the Group amounted to RMB81,932.7 million, RMB93,031.7 million and RMB91,062.7 million, respectively. As of 31 December 2020, 2021 and 2022, the total indebtedness (comprising amount due to the immediate holding company, bank borrowings, other borrowings, bonds and notes) of the Issuer Group amounted to HK$6,947.1 million, HK$5,183.3 million and HK$3,080.9 million, respectively, and its available banking facilities amounted to HK$8,940 million, HK$7,415 million and HK$8,316 million as at 31 December 2020, 2021 and 2022, respectively. The Group's financial condition, liquidity and business operations could be adversely affected to the extent it is unable to repay its debts in a timely manner. Even if the Group is able to meet its debt service obligations, the level of indebtedness (on a consolidated basis) could adversely affect the Group in a number of ways, including the following:

- limiting the Group's ability to obtain any future financing needed for working capital, strategic investment, debt service requirements or other purposes;
- limiting the Group's flexibility in planning for or reacting to changes in its business;
- placing the Group at a competitive disadvantage with competitors that have lower levels of debt;
- increasing the Group's financing costs;
- making the Group more vulnerable to a downturn in its business or the economy generally;
- subjecting the Group to the risk of being forced to refinance its debts at higher interest rates; or
- requiring the Group to use a substantial portion of its cash to pay principal and interest on the Group's debt instead of for other purposes such as working capital and other capital requirements.

The Group has experienced fluctuations in its revenue and the historical financial results may not be indicative of its future performance

The Group began its business in 2000 and has recorded sustainable growth since then. However, the Group has experienced fluctuations in its financial results due to certain factors. Please see "*Risks Relating to the Market in which the Group Operates*" for more details. The Group's total revenue increased from RMB17,579.7 million for the year ended 31 December 2020 to RMB18,972.2 million for the year ended 31 December 2021, representing a year-on-year increase of 7.9 per cent., and from RMB18,972.2 million for the year ended 31 December 2021 to RMB10,659.6 million for the year ended 31 December 2022, representing a year-on-year decrease of 43.8 per cent. The Issuer Group's total revenue increased from HK$576.7 million for the year ended 31 December 2020 to HK$636.4 million for the year ended 31 December 2021, representing a year-on-year increase of 10.4 per cent., and decreased from HK$636.4 million for the year ended 31 December 2021 to HK$258.0 million for the year ended 31 December 2022, representing a year-on-year decrease of 59.5 per cent. The Group cannot assure potential investors in the Bonds that the Group will be able to continue to successfully grow its business or sustain a high level of profit or revenue.

The Group's commission and fee income from its securities and futures brokerage business and the Issuer Group's brokerage business could be adversely affected by a decrease in trading volume

A significant portion of the Group's total revenue is generated from its brokerage commission and fee income under its securities and futures brokerage business and the Issuer Group's brokerage business. For the years ended 31 December 2020, 2021 and 2022, commission and fee income from the Group's securities and futures brokerage business amounted to RMB3,189.5 million, RMB4,180.1 million and RMB3,791.8 million, respectively, representing 18.1 per cent., 22.0 per cent. and 35.6 per cent. of its total revenue for the same periods, respectively. For the years ended 31 December 2020, 2021 and 2022, commission and fee income from the Issuer Group's brokerage business amounted to HK$185.0 million, HK$210.8 million and HK$157.8 million, respectively, representing 32.1 per cent., 33.1 per cent. and 61.2 per cent., respectively of its total revenue for the same periods. While it is the Issuer Group's strategy to continue to expand its business lines and diversify its product and service offerings, brokerage business is expected to continue to be one of the main sources of revenue of the Issuer Group. Commission and fee income from the Group's securities and futures brokerage business and the Issuer Group's brokerage business depends, to a large extent, on the trading volume executed through the trading system of the Group. Similar to other brokerages and financial services firms, the trading volume of investors in the stock markets as a whole in the past have been, and in the future may continue to be, materially affected by a number of factors, many of which are beyond the Group's control, including one or a combination of the following:

- the effects of market conditions in China, Hong Kong and overseas, particularly in the securities, commodities, futures, fixed-income, equity and credit markets;
- general political conditions in China, Hong Kong and overseas, such as macroeconomic and monetary policies, legislation and regulations affecting the financial industry and securities market;
- changes in clients' hedging or speculative trading activities;
- fluctuations in interest rates and commodity prices;
- changes in investors' sentiment, perception and confidence in the financial markets; and
- inflation, natural disasters, public health concerns related to infectious disease epidemics, riots and acts of war or terrorism.

Reductions in the trading volume of the Group's clients using the trading system of the Group would result in reduced brokerage commissions and fees income which could materially and adversely affect its financial condition and results of operations.

The Issuer Group's brokerage business could be materially and adversely affected by client defaults or deterioration in the credit quality of its clients

As stipulated by the HKSCC, brokerage clients shall settle their securities transactions within two trading days from the relevant transaction day ("**T+2**"). However, in the case that any of the Issuer Group's clients are unable to settle the transaction within T+2, the Issuer Group will be required to settle on behalf of such clients using its own resources. The Issuer Group needs to maintain sufficient resources for the abovementioned settlements and is exposed to potential default in payment by its clients. For futures brokerage, the Futures Exchange sets out the minimum margin deposit required for trading of each futures contract and the Issuer Group's clients are required to maintain at all times the minimum margin deposit which may vary from time to time as determined by the Futures Exchange and the Issuer Group's policy. When a client is unable to meet a margin call, the Issuer Group will close out the position of the relevant futures contract. Should any outstanding balance in the client's account remain unpaid following the closing of the position of the futures contract or realisation of the collateral which requires further recovery efforts, the Issuer Group will suffer a loss.

Although the Issuer Group regularly evaluates its credit exposure to specific clients, default risks could arise from unexpected events or circumstances. There is no assurance that the Issuer Group's clients will not default on their obligations owed to the Issuer Group as a result of bankruptcy, lack of liquidity or other reasons. With respect to clients referred to the Issuer Group by account executives, even though the Issuer Group's responsible account executives have agreed to indemnify the Issuer Group against unsettled trade or margin loan balances due from the relevant clients pursuant to the agreements signed with them, there is also no assurance that the relevant account executives will have sufficient financial resources to compensate the Issuer Group for any loss in case the relevant clients default in their obligations. The Issuer Group may also fail to receive all information regarding the financial position of its clients which may impair its ability to effectively detect any prospective client default in the performance of their respective obligations. In the event that the Issuer Group's clients fail to meet any material payment obligations for securities transacted through the Issuer Group, the Issuer Group's financial condition and results of operations may be materially and adversely affected.

The Issuer Group's margin financing business could be materially and adversely affected by a decline in market value of a client's collateral or a client's default in repayment

The Issuer Group provides margin financing to clients to finance their purchase of securities and, prior to 12 February 2020, provided advances through money lending to clients to address their financing needs. For the years ended 31 December 2020, 2021 and 2022, the Issuer Group's total loan balance for margin financing (including the provision of impairment allowance) was HK$2,024.7 million, HK$806.1 million and HK$531.6 million, respectively. Margin financing provided to the Issuer Group's clients are required to be backed by sufficient collateral and, on a case-by-case basis, further security. The Issuer Group maintains a list of approved securities quoted on the Hong Kong Stock Exchange which are eligible to be used as collateral. The Issuer Group may also accept securities traded on foreign exchanges or bonds on a case-by-case basis after review by the management of the Issuer. If the ratio of a relevant client's outstanding margin loan to the value of the collateral provided by the relevant client reaches or exceeds the permitted ratio, the Issuer Group will issue a margin call to the relevant client. The Issuer Group will also issue a margin call when the value of the collateral provided by a particular client is considered to be insufficient to cover its exposure with respect to the loan granted to that client. In response to a margin call, clients are required to increase the collateral ratio or amount to an acceptable level by depositing additional funds, selling securities, pledging additional securities or providing further security (as the case may be).

While the Issuer Group has internal policies and procedures designed to minimise the risk associated with its margin financing business, as the scale of this business continues to grow the Issuer Group will be exposed to higher credit risk and hence larger potential losses should it fail to identify and manage the risk effectively. There is no assurance that the Issuer Group will be able to identify potential client defaults in a timely manner or that its policies and procedures designed to minimise such risk will be effective. If a client is unable to fulfil margin calls or meet his/her or its payment obligations in a timely manner, the Issuer Group may choose to enforce its right to liquidate the securities held by it as collateral or take debt collection action in accordance with its agreement signed with such client and realise the collateral, where necessary. In the event that at the time when the Issuer Group enforces its rights to liquidate or realise the collateral, the market price of the collateral decreases significantly or becomes illiquid for whatever reason in a short period of time such that the value of the collateral falls below the value of the loan advanced to the client, the Issuer Group may be exposed to significant losses. The Issuer Group's ability to sell assets to minimise its loss may be further impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis.

The Issuer Group's interest income may be adversely affected by fluctuations in interest rates

The Issuer Group generates interest income from its margin financing business. The interest rates charged by the Issuer Group are determined with reference to, among others, the prevailing market rate (i.e. the Hong Kong dollar prime rate). During periods of rising interest rates, the Issuer Group's interest income from clients under its margin financing segment would increase. However, there is no assurance that the prime rate will not change dramatically for reasons beyond the Issuer Group's control and as a result the Issuer Group's interest income may fluctuate from time to time. If interest rates decrease significantly, the Issuer Group's interest income may decrease, as a result of which its business and results of operations may be adversely affected.

The Group's proprietary investment business and the Issuer Group's financial products and investments business may incur losses or fail to realise their anticipated returns as a result of unfavourable market conditions or any inaccurate predictions of the performance of their target investments

For the years ended 31 December 2020, 2021 and 2022, revenue from the Group's proprietary investment business amounted to RMB4,383.0 million, RMB3,419.5 million and RMB846.3 million, respectively, representing 24.9 per cent., 18.0 per cent. and 7.9 per cent. of its total revenue during the same periods, respectively. For the years ended 31 December 2020, 2021 and 2022, the Issuer Group engaged in the trading of debt and equity securities through proprietary funding for its own account and recorded a net gain or (loss) on financial assets at fair value through profit or loss (including interest income and dividend income) of HK$107.2 million, HK$228.5 million and HK$(227.0) million, respectively. The Issuer Group has been actively seeking appropriate investment opportunities and it acquired and held debt securities with total carrying value of HK$3,243.8 million as at 31 December 2022.

The Group's financial products and investments activities are subject to market volatility. The profitability of these investments generally correlates with the performance of the China, Hong Kong and overseas securities markets. It cannot be assured that the profitability of its financial products and investments business will be profitable in the future. Further, the values of its financial assets are marked to market. Unrealised losses will be recognised if the carrying value of the financial assets is lower than their market value, which will have a negative impact on its results of operations. If the Group recognises such unrealised losses, its results of operations could be materially and adversely affected.

The performance of the Group's financial products and investments activities primarily depends on its investment decisions and judgment, which are subject to management discretion and assumptions. For investments in financial products, if the Group fails to evaluate investment products properly or its forecasts of the market do not conform to actual changes in market conditions, its proprietary trading may not achieve the investment returns it anticipated or may even suffer material losses. Such material losses could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's institutional service business and the Issuer Group's corporate finance business is subject to various risks associated with underwriting of securities, listing sponsorship and financial advisory services

The Group provides corporate finance services, including fund raising services (such as equity and debt securities underwriting), listing sponsorship and financial advisory services. Revenue from the Group's institutional service business amounted to RMB6,161.2 million, RMB5,737.7 million and RMB2,603.5 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 35.0 per cent., 30.2 per cent. and 24.4 per cent. of its total revenue during the same periods, respectively. Commission and advisory fee income from the Issuer Group's corporate finance business amounted to HK$129.3 million, HK$82.6 million and HK$45.7 million, respectively, for the years ended 31 December 2020, 2021 and 2022. Revenue derived from its corporate finance business accounted for 22.4 per cent., 13.0 per cent. and 17.7 per cent. of the Issuer Group's total revenue for the years ended 31 December 2020, 2021 and 2022, respectively. Fund raising activities such as secondary offerings or IPO are generally subject to market conditions, compliance reviews and approvals by the regulators such as the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Beijing Stock Exchange, the Hong Kong Stock Exchange, the CSRC and the SFC, which are factors beyond the Group's control and such factors may substantially affect or even result in the delay or cancellation of the transactions in which the Group is engaged as an underwriter, placing agent, financial advisor or sponsor. If a project in which the Group is engaged as an underwriter, placing agent, financial advisor or sponsor is not completed as scheduled or at all for any reason, the Group may not receive payment for its services in a timely manner, or at all, which may materially and adversely affect its results of operations and financial condition. In addition, if the Group fails to sell the securities it has underwritten, it would suffer reputational damage, incur expenditure, expose itself to market risk and reduce the capital available to it as a result of purchasing and holding the underwritten securities, thereby materially and adversely affecting the Group's results of operations and financial condition. Further, the Group's commission income on fund raising is directly related to the number of underwriting and placing transactions in which the Group is involved and/or the size of the funds its clients intend to raise. Such factors are susceptible to market conditions which are beyond the Group's control.

Since 2012, reforms in the sponsor regime implemented by the SFC and the Hong Kong Stock Exchange in relation to standards of due diligence and disclosure requirements for IPOs and stock listings have significantly increased the legal liabilities of investment banks and securities firms who sponsor IPOs and stock listings in Hong Kong. If the Issuer Group fails to comply with the applicable regulations and guidelines, it may be subject to sanctions, fines, penalties or other disciplinary actions, such as suspension or revocation of important licences. Where penalties are substantial or protracted litigation is involved, the Issuer Group's reputation may be damaged, and its business, financial condition, results of operations and prospects may be materially and adversely affected.

The performance of Group's institutional service business and the Issuer Group's listing sponsorship and financial advisory business under its corporate finance segment depends, to a large extent, on its ability to leverage its business network and relationships to source clients and general market conditions. Since the Group's sponsor fee and financial advisory fee are negotiated on a project-by-project basis, fees generated therefrom may fluctuate from time to time. There is no assurance that clients which previously sought advice from the Group will continue to retain it for future businesses. There is also no assurance that the level of business or amount of fees agreed will be comparable to the transactions effected in the past. If the Group is not able to win new sizable mandates, or if market conditions become unfavourable, its business and results of operations may be materially and adversely affected.

The Group's asset management fees could decline if the investments it manages perform poorly, or its clients withdraw assets it manages or if it loses clients

The Group receives annual management fees primarily based on the asset size under its management and performance fees based on the returns on its investment products. Investment performance affects the Group's amount of AUM and is one of the most important factors in retaining its clients and competing for new asset management business. Limited investment opportunities and hedging strategies in China and Hong Kong, as well as market volatility, could negatively affect the Group's ability to provide stable returns for its clients, cause the Group to lose clients and require it to make provisions for the decrease in the value of its investments. Poor investment returns for the Group's clients in its investment management business, due to either general economic and market conditions or underperformance relative to its competitors by the assets or funds that the Group manages or investment products that the Group designs or sells, could adversely affect its ability to retain existing assets and to attract new clients or additional assets from existing clients. Unsatisfactory investment performance could adversely affect its revenue and growth:

- existing clients might withdraw funds from the Group's asset management business in favour of better performing products provided by its competitors, which would result in lower asset management income for it;

- clients may request that the Group lower its fees for asset management services, particularly in an intensely competitive industry; and

- its performance fees, which are based on a percentage of investment returns, would decline.

In addition, increasing competition from other securities firms, banks, insurance companies, fund managers and other competitors could prevent the Group from maintaining or increasing its AUM. The Group is in the process of developing and growing its asset management business. If it fails to increase its AUM, the Group may not be able to take advantage of potential benefits, such as economies of scale and investment strategies with larger capital requirements. This lack of scale could adversely affect the Group's ability to compete and its results of operations and financial condition.

The financial products that the Group distributes could be risky and/or complex investments and any deficiencies in identifying, appreciating or disclosing such risks could negatively affect its reputation, client relationships and prospects.

The Issuer Group distributes insurance and investment products developed by third parties. These products often have complex structures and involve various risks, including credit risks, market risks, liquidity risks and counter-party risks. The Issuer Group is required to make appropriate risk disclosure to its potential clients to ensure that financial products to be sold to them match their financial sophistication and risk-return profile. There is no assurance that the Issuer Group's risk management policies and procedures would be effective in mitigating the risk exposure of its clients in all market environments or against all kinds of risks. In the event that the Issuer Group fails to identify and fully recognise such risks or it fails to disclose such risks to its clients or it sells unsuitable products to its clients and its clients suffer financial loss as a result, the Issuer Group may be subject to litigation and/or regulatory actions, and its business, reputation, client relationships and prospects may be materially and adversely affected.

The Issuer Group is subject to various risks associated with its expansion plans

As set out in more detail in "*Description of the Issuer Group – Business strategies*", the Issuer Group intends to implement various strategies such as optimising its client base, continuing to enrich its services, enhancing its service capability, and expanding its capital-based intermediary businesses. Such plan is formulated based on current intentions and assumptions and the future execution may be subject to capital investment and human resources constraints. In addition, as the Issuer Group's business and client base continue to expand, its trading volume, the frequency and complexity of the transactions handled by the Issuer Group and its clients' expectation from its services will also increase. To support its business expansion, the Issuer Group must continually enhance and upgrade its trading and information systems, recruit qualified staff and increase staff training. System enhancements and updates, as well as related trainings, entail significant costs and expose the Issuer Group to the risks associated with implementing and integrating new systems. Any limitation on the Issuer Group's trading system and its inability to expand its execution capacity to accommodate its growth could limit the business expansion of the Issuer Group, thereby adversely affecting its business, results of operations and prospects.

Furthermore, the future development plan of the Issuer Group may be hindered by factors beyond its control, such as general market conditions, the performance of the securities market and the social (including public health), economic and political environment in Hong Kong, China and overseas. Please see "*Risk Factors – Risks Relating to the Market in which the Group Operates – The business operations of the Group are concentrated in the PRC and Hong Kong and any material deterioration in the public health, economic, political and regulatory environment in the PRC and Hong Kong could materially and adversely affect the business and prospects of the Group*". Therefore, there is no assurance that the expansion plans of the Issuer Group will materialise in accordance with desired timetables, or at all, or will generate the intended benefits to the Issuer Group as initially anticipated.

The Group may fail to realise any profits from its investments in relatively high-risk, illiquid securities for a considerable period of time or lose some or all of the capital invested

The Group's private equity funds hold investments in securities that are not publicly traded. The ability of the Group's private equity funds to dispose of investments is heavily dependent on the equity capital markets. For example, the Group's ability to realise any value from its investment in a portfolio company depends on the portfolio company's success at executing an IPO, which provides an exit opportunity for the Group's investment. From October 2012 to January 2014 and for a short period in the second half of 2015, the CSRC suspended its approval of all A-share IPO applications in the PRC. The CSRC previously engaged in a similar suspension of IPO approvals between 2008 and 2009. Since late 2023, the CSRC has tightened the pace of A-share IPOs as a measure to ensure the stable operation of the market. The Group cannot be sure that there will not be future suspension of IPOs due to regulatory reasons. Also, the result and timing of reviews and approvals of A-share IPO applications by the relevant regulatory authorities are beyond the Group's control. Even if the securities held by the Group's private equity funds are publicly traded, large holdings of securities can often be disposed of only over a substantial lock-up period, exposing our investment returns to market risks during the intended disposition period. As a result of these factors, under certain conditions, the Group's private equity funds may be forced to either sell securities at undesirable prices or defer sales, potentially for a considerable period of time. The Group has made and expects 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.

The Group faces increased risks as it offers new products and services, transacts with a broader array of clients and counterparties and exposes itself to new asset classes and markets

As the markets in which the Group operates continue to evolve, the Group continues to respond by expanding its business, innovating new products or services and adjusting its strategies accordingly. New business initiatives often result in new products and services or transactions with individuals or entities that are not its traditional clients or counterparties. These business activities expose the Group to new risks, including the following:

- the Group's competitors may have substantially greater experience and resources in relation to the business activities that the Group wishes to commence, and the Group may not be able to attract customers to its services from competitors with existing relationships with those customers;

- the new products and services may not be accepted by the Group's customers or meet its expectations for profitability, and may require greater marketing and compliance costs than the Group's traditional services;

- the new products and services may give rise to potential disputes or claims from customers;

- the Group may face greater risk of potential compliance issues such as mis-selling when dealing with less sophisticated counterparties and investors;

- the Group may need to hire additional qualified personnel who may not be available;

- the Group may not effectively enhance its risk management capabilities and information technology systems to support a broader range of products and services; and

- greater regulatory scrutiny and increased credit and operational and market risks.

There is no assurance that the Group will be able to obtain sufficient capital to fund its business operations and growth in the future, or on acceptable terms

Maintaining adequate liquidity is essential to the Group's business. The Group relies on bank and other external borrowings to fund a significant portion of its working capital requirements. There is no assurance that the Group will be able to obtain adequate financing on acceptable terms, or at all, or to generate sufficient working capital to fund its future operations. The Group's ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which the Group is operating its business;

- conditions in the capital and financial markets in which the Group may seek to raise funds;

- the Group's future cash flows, financial condition and results of operations; and

- social (including public health), economic, political and other conditions in China, Hong Kong and the rest of the world.

The Group may be required to scale back its planned capital expenditures, which may adversely affect the ability to achieve economies of scale and implement its planned growth strategy. If the Group raises additional funding, its interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict the Group's business and operations or result in dilution of shareholding of shareholders in the case of equity financing. The Group's inability to raise additional funds in a timely manner and on terms favourable to it, or at all, may have a material adverse effect on its condition, results of operations and prospects.

The Group's results of operations may be adversely affected if it loses a large number of existing clients or fails to expand its client base

Most of the Group's largest clients are individual clients based in China and Hong Kong. The level and extent of their business relationship with the Group are affected by factors such as their financial condition, market perceptions and risk appetite which are in turn subject to the general economic conditions in China and their respective business performance, which are beyond the Group's control.

Whilst the Group will continue to diversify its client base, the Group expects that the results will continue to depend on (a) the Group's ability to continue to secure business from its existing clients and attract new clients; (b) the financial condition of the Group's clients; and (c) factors that affect the China and Hong Kong economy in general. There is no assurance that the Group will be able to diversify its client base or attract new clients or maintain or improve its relationships with its existing clients, who do not have long term commitments with the Group, and as such any of them may terminate their respective relationships with the Group. There is also no assurance that the Group will be able to generate the same or higher level of business and income from its clients as before. Any significant decrease in the level of business with the Group's major clients or loss of a large number of existing clients and its inability to diversify or expand its client base could have an adverse impact on the Group's business, results of operations and prospects.

The business of the Group depends on the continuing efforts of its executive directors, key senior management and personnel

The Group's business depends on the continued services of its executive directors, key senior management and employees. The executive directors of the Group, together with the support of its senior management team, are principally responsible for strategic planning as well as managing the Group's business development and daily operations. In particular, the skills and expertise contributed by the Group's key executives have played a crucial role in building the success and reputation of the Group to date. Therefore, the Group's success is, to a significant extent, attributable to the strategies and visions of its executive directors as well as its senior management team.

The Group's ability to compete in the existing market and expand into new markets or develop new business lines also depends on the Group's ability to retain competent personnel, especially the account executives whose established client networks and rich industry know-how have allowed the Group to effectively expand its client base to date. Given that the competition for competent personnel in the industry is intense, the Group may not be able to attract or retain the services of key personnel for its business in the future. If the Group loses any key senior management or key personnel, there is no assurance that the Group will be able to find suitable replacements in a timely manner, or at all. These personnel may join the Group's competitors which may further intensify market competition. As a result, the Group's operations, prospects and profitability could be materially and adversely affected. In addition, as the Group continues to expand, the Group may need to incur additional costs to recruit, train and retain these key personnel to support its business expansion and future plans, which will further increase the Group's staff cost. For example, the Group recruits from time to time competent investment personnel for managing, monitoring and operating its financial products and investments business, which is expected to expand with its business growth. The Group's inability to recruit or retain competent investment personnel would limit the capacity of the Group's investment team, affect the commercial soundness of the Group's investment decisions and reduce the effectiveness of the Group's risk identification and control, thereby adversely affecting the performance of the financial products and investments segment of the Group.

Under the licensing requirements of the SFO, the Issuer Group must at all times maintain at least two responsible officers for each regulated activity. The Issuer Group may be exposed to operational disruptions should a large number of responsible officers of the Issuer Group resign or become sick to the point of not being able to carry out their duties. This may result in temporary suspension of the Issuer Group's licence or operations or the imposition of additional licensing conditions. The occurrence of such event will materially and adversely affect the Issuer Group's business and results of operations.

The Group's operations will be materially and adversely affected if it fails to obtain or maintain or renew licences and permits necessary for its business operations

The Group's business and continuing operations depend upon obtaining and maintaining the necessary approvals, licenses and permits obtained from regulatory authorities, such as the CSRC and the SFC. In particular, the Issuer Group is licensed under the SFO to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. The Group is required to comply with the relevant regulatory requirements and licensing conditions prescribed by regulatory authorities, such as "fit and proper" requirements with respect to its responsible officers and licensed representatives, financial resources requirements, risk management, corporate governance, professional staff, corporate structure and compliance operations. The Group's compliance obligations will be subject to scrutiny in particular when it applies for approvals, licenses or permits for conducting new businesses or offering new products. If the Group fails to continuously comply with such requirements, the Group may encounter the risks of being sanctioned by the regulatory authority, imposition of additional licensing conditions, or in the extreme case, disqualified for its existing business or rejected for renewal of its qualifications upon expiry by the regulatory authorities.

In respect of any new business or new product that the Group contemplates to develop, there is no assurance that it will be able to obtain the relevant approvals, licenses or permits before it launches such new business or product, as the Group may not possess the required qualification or resources to comply with the relevant regulations. As a result, the Group may fail to develop new business as planned or it may fall behind its competitors in such business or lose its existing clients.

The Group may be exposed to substantial liability as a result of significant legal proceedings or claims against it

The Group faces significant legal risks in its business. These risks include potential liabilities under securities or other laws for materially false or misleading statements made in connection with securities or other transactions, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of trading arrangements. The Group may also be subject to claims for alleged negligent conduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to the Group that could harm its reputation. For example, in September 2020 the Shanghai Securities Regulation Bureau issued a warning letter to a branch office of the Group for insufficient supervision of an employee who sold unauthorised financial products to investors. Even if the Group is successful in defending itself against these actions, the costs of such defence may be significant to the Group. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in its operations arising from adverse adjudications in proceedings against the Group's directors, senior management or key personnel would materially and adversely affect its business, financial condition, results of operations and reputation.

The Group may fail to detect illegal or improper activities including fraud and money laundering

The Group is subject to the risk of fraud, illegal acts or misconduct committed by the Group's directors, employees, account executives, agents, clients or other third parties. Internal misconduct may include entering into unauthorised transactions, improperly using or divulging inside information, recommending transactions not suitable for the Group's clients, engaging in fraudulent activities, or engaging in improper or illegal activities or excessive trading to the detriment of the Group or its clients. There is no assurance that the Group's directors, employees, account executives, agents, clients or other third parties would not commit fraud or engage in other misconduct in the future, and such incidents may result in litigation or regulatory sanctions against the Group and cause the Group to suffer financial loss and reputational harm. The Group may also need to incur costs to commence and participate in legal proceedings against such perpetrators of misconduct to recover its losses.

The Group is required to comply with applicable anti-money laundering laws and regulations in the jurisdictions where it operates. In Hong Kong, for example, the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap. 615 of the Laws of Hong Kong) and "Guideline on Anti-Money Laundering and Counter-Terrorist Financing" issued by the SFC with effect from July 2012 set out laws and guidelines for the Issuer Group to follow. These laws and regulations require the Group, among other things, to carry out client due diligence and to report suspicious transactions to the applicable regulatory authorities. Whilst the Group has policies and procedures aiming at detecting and preventing the use of its operations for money laundering activities and other illegal or improper activities, it is not always possible to detect fraud or other misconduct by directors, employees, account executives, agents, clients or other third parties. The Group's internal control procedures designed to monitor the Group's regulatory compliance may not be able to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. To the extent that the Group is unable to identify such misconduct or improper activities in a timely manner, or at all, any regulatory sanction or enforcement action against it could adversely affect its business, results of operations and reputation.

The Group may suffer significant losses arising from errors in processing trading transactions, system failures or cyber-attacks

The Group's wealth management business and the Issuer Group's brokerage business are dependent on the Group's ability to process and monitor a larger number of transactions, which involves complicated operational procedures and requires stable performance of its trading system. There is no assurance that the Group will not experience trading errors such as errors in processing client's instructions (incorrect securities name, quantity of the transaction or incorrect buy/sell order, etc.) or incorrect input of client's instructions or client's account number. Any error in processing transactions may adversely affect the markets, the Group's clients and counterparties and its business.

The capacity of the Group's systems to accommodate an increasing volume of transactions could also limit its business expansion opportunities. The Group must continually upgrade its systems to support its operations and growth and to respond to changes in regulations and markets, which could be costly. The Group must also make significant investments in its system and staff training to ensure that transactions do not violate applicable laws and regulations.

The Group's operations depend on the secured processing, storage and transmission of confidential and other information in its computer systems and networks and the Group is vulnerable to unauthorised access such as cyber-attacks, computer viruses or other malicious programs and other events that could lead to a security breach. There is no assurance that the Group's information technology infrastructure will be adequate to prevent all types of unauthorised access such as cyber-attacks, computer viruses or other malicious programs and other events that could disrupt its information technology and operating systems. The occurrence of one or more such events could jeopardise the confidentiality of information processed, stored in and transmitted through the Group's computer systems and networks or otherwise disrupt its operations, which could result in reputational damage, litigation and financial loss.

The Group's trading, financial, accounting, data processing or other operating systems and facilities may also fail to operate properly or become disabled as a result of events which are wholly or partially beyond its control, such as human error, natural disasters, power failures, computer viruses, cyber-attacks, spam attacks, unauthorised access and data loss or leakage. The Group also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that the Group uses to facilitate securities transactions. Any operational failure or termination of the financial intermediaries that the Group uses could adversely affect its ability to execute transactions, service its clients and manage its exposure to risk. Moreover, as the Group's interconnectivity with clients grows, it also faces increasing risks related to operational failures and the security of clients' systems.

The Group's business may suffer from potential reputational damage associated with any adverse publicity

Any adverse publicity regarding the performance of the Group or any investigations or regulatory enforcement actions taken against the Group or any of its members could affect the reputation of the Group and harm its business.

The Fujian Provincial Department of Finance has substantial control over the Group and its interests may not be aligned with the interests of the Guarantor's other shareholders

The Fujian Provincial Department of Finance is the Guarantor's largest shareholder and may be able to exert significant influence over the business of the Group, including over the election of directors, the amount and timing of dividends and other distributions, mergers or acquisitions with other entities and other business strategies and policies. The interests of the Guarantor's largest shareholder may not be consistent with the interests of the Guarantor's other shareholders or Bondholders. To the extent the interests of the Guarantor's largest shareholder conflict with the interests of other shareholders or Bondholders, the interests of other shareholders or Bondholders may be disadvantaged or harmed.

The Guarantor has substantial control over the Issuer Group and its interests may not be aligned with the interests of the Issuer's other shareholders

The Guarantor is the Issuer's ultimate controlling shareholder. The Issuer's controlling shareholder may be able to exert significant influence over the business of the Issuer and the Issuer Group, including over the election of directors, the amount and timing of dividends and other distributions, mergers or acquisitions with other entities and other business strategies and policies. The interests of the Issuer's controlling shareholder may not be consistent with the interests of the Issuer's other shareholders or Bondholders. To the extent the interests of the Issuer's controlling shareholder conflict with the interests of other shareholders or Bondholders, the interests of other shareholders or Bondholders may be disadvantaged or harmed.

There is no assurance that tax laws and regulations will not change in the future or that such changes will not adversely affect the Group's results of operations

The Group carries out its business operations primarily in the PRC and Hong Kong and hence is subject to the tax laws and regulations of the PRC and Hong Kong. There is no assurance that the prevailing tax laws and regulations applicable to the Group or the Group's business activities will not be revised or amended in the future. There is no assurance that tax laws and regulations will not change in the future or that such changes will not adversely affect the Group's results of operations.

Misuse of, or any failure to properly control, customers' personal or financial information could prove harmful to the Group

The Group acquires a large amount of personal and financial information relating to its customers. In addition, certain third-party vendors provide services to the Group using personal and financial information of the Group's customers that the Group provides to them. In particular, as the Group relies on third-party encryption and authentication technology to transmit confidential information over public networks, the security of such confidential information may become jeopardised. In the PRC, the Group is subject to the Measures for the Information Technology Management of Securities and Funds Operators(證券基金經營機構資訊技術管理辦法), promulgated by the CSRC on 19 December 2018 and amended on 15 January 2021, which requires that entities within the scope of the regulation improve network isolation, user authentication, access control, data encryption, data backup, data destruction, log records, virus prevention, illegal intrusion detection and other security guarantee measures, protect operation data and customer information security, and prevent information leakage and damage. In Hong Kong, the Issuer Group is subject to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) which regulates "data users" such as finance companies that use databases of personal information for their businesses and protects the privacy of individuals in relation to personal data, therefore, any improper use or disclosure of, or any failure to protect or properly control, such information could result in violations of the Personal Data (Privacy) Ordinance and other applicable laws, harming the Issuer Group's reputation and business. The Group takes precautionary measures, including internal compliance procedures, to prevent and detect misuse or unauthorised or accidental disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors.

The Group's businesses and prospects may be materially and adversely affected if the Group fails to maintain risk management and internal control systems or these systems are proven to be ineffective or inadequate

The Group has established risk management and internal control systems and procedures. Certain areas within the Group's risk management and internal control systems require constant monitoring, maintenance and continuous improvements by the Group's senior management and staff. The Group's businesses and prospects may be materially and adversely affected if the Group's efforts to maintain these systems are ineffective or inadequate.

Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect the Group's ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact the Group's ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's internal control system may contain inherent limitations caused by misjudgement. As a result, there can be no assurance that the Group's risk management and internal control systems are adequate or effective notwithstanding its efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees and disruption to its risk management system. In such cases, there may be a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Any failure by the Group to appropriately identify and address conflicts of interest could materially and adversely affect its 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 the Group's business legitimately exist but are in competition or conflict. The Group may encounter conflicts of interest arising among (i) its various business units, (ii) its clients and itself, (iii) its various clients, (iv) its employees or account executives and itself or (v) its clients and its employees or account executives. Appropriately identifying and dealing with potential conflicts of interest is difficult. Any failure to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory measures. Any of the foregoing could adversely affect the Group's business, financial condition and results of operations.

In light of the complexity and difficulty in appropriately identifying and dealing with potential conflicts of interest, the Group's internal control procedures that are designed to identify and address conflicts of interest may not be sufficient. Any failure by the Group to manage conflicts of interest could harm the Group's reputation and erode client confidence in the Group. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. The occurrence of any of the foregoing events could materially and adversely affect the Group's business, results of operations and reputation.

Limitations on access to liquidity and capital resources could adversely affect the Group's ability to implement its expansion plans

A number of the Issuer Group's activities are subject to various statutory liquidity requirements as prescribed by the SFC in accordance with the SFO.

The Group derives the funds that it requires for its business principally from cash flow from operations and borrowings from banks and other lenders and from accessing the capital markets. The Group's ability to access debt funding sources on acceptable commercial terms over the longer-term is dependent on a variety of factors, including a number of factors outside of its control, such as general market conditions and confidence in the global banking system. In recent years, the interest rates have experienced a series of hikes and are at a relatively high level which may lead to increased funding costs for the Group. While the Group has not experienced any material difficulty in procuring funds, there can be no assurance that the Group's existing major lenders will not change their lending policies, increase the Group's funding costs or adopt a more cautious credit stance as a result of the overall economic climate, or any other factors that may limit the Group's ability to obtain credit on favourable terms or at all and its options for obtaining liquidity. If the Group's available funding is limited or it is forced to fund its operations at a higher cost, these conditions may require the Group to curtail its business activities and increase its cost of funding, both of which could reduce the profitability of the Group.

The Group may incur losses as a result of unforeseen or catastrophic events, including any epidemic diseases, terrorist attacks or natural disasters

The Group, its suppliers and customers may experience temporary suspension of the Group's operations as a result of severe communicable diseases, such as avian influenza (bird flu), H7N9 flu, MERS, the Zika Virus and other epidemics, such as the COVID-19 pandemic, which may have an adverse effect on the Group's business, financial condition and results of operations. The occurrence of such diseases, unforeseen violence resulting from protests, strikes or demonstrations or any other unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions or lead to operational difficulties (including travel limitations) that could impair the Group's ability to manage its businesses and expose the Group's business activities to significant losses.

RISKS RELATING TO CONDUCTING BUSINESS IN THE COUNTRIES AND REGIONS WHERE THE GROUP OPERATES

Changes in global or regional economic, political and social conditions, as well as regulatory policies could have a material adverse effect on Group's liquidity, access to capital and ability to operate its business

A substantial portion of the Group's assets are located in China, and the Group derives a substantial majority of its revenue from operations in China. Accordingly, the Group's results of operations, financial condition and prospects are subject to economic, political and legal developments in China. Governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, foreign exchange and other aspects of the economy, as well as measures or policies in regulating particular industries or companies may also affect the Group's business and results of operations. While China's economy has experienced significant growth in the past 40 years, growth has been uneven across different regions and economic sectors, and there is no assurance that such significant growth can be sustained. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources, including the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises. However, it cannot be ascertained as to the extent to which the Group's business operations will be able to benefit from such measures or whether such measures may have adverse effect on the Group. Furthermore, the speed of global or regional economic growth may vary from year to year, and such growth may be uneven, both geographically and among various industry sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in the geographic markets or any other market in which the Group may operate could affect its business, financial condition and results of operations. Changes in the economic or political environment could increase the Group's costs, increase the exposure to legal and business risks, disrupt the Group's operations and affect its results of operations.

Any uncertainties embedded in the legal systems of the geographic markets where the Group operates could affect its business, financial condition and results of operations.

The Group is subject to certain uncertainties embedded in the legal systems of the geographic markets where it operates. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. These uncertainties relating to the interpretation, implementation and enforcement of laws and regulations can affect the legal remedies and protections available to you, and can adversely affect the value of your investment.

PRC laws and regulations govern the Group's operations in China. The Guarantor and many 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. 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.

In particular, China's financial services industry is highly regulated. Many aspects of the Group's business depend upon the receipt of the relevant government authority's approvals and permits. As China's legal system and China's financial services industry develop, there is no assurance that relevant laws and regulations, as well as their interpretation and enforcement, will not change or that any such changes will not adversely affect the Group's business, financial condition or results of operations.

Policies and regulations regarding foreign currency conversion may have an impact on the Group's foreign exchange transactions

The Group receives most of its revenue in the PRC in RMB and may need to convert RMB to foreign currency in order to meet its foreign currency obligations, including payments on the Bonds. The PRC's foreign exchange regulations allow payments of current account items, including profit distributions, interest payments and expenditures from trade, to be made in foreign currencies without prior approval, subject to certain procedural requirements. However, capital account transactions remain subject to foreign exchange regulations, including repayment of indebtedness denominated in foreign currencies, such as the Bonds. Foreign exchange regulations with respect to capital accounts could affect the Group's ability to obtain foreign exchange through debt or equity finance. In the future, the PRC government may take measures to restrict access to foreign currencies for current account transactions under certain circumstances. Shortages in the availability of foreign currency may limit the Group's ability to satisfy its foreign currency-denominated obligations, if any. In the past, there have been shortages of U.S. dollars or other foreign currency available for conversion of RMB in the PRC, and it is possible that such shortages may occur again, or that restrictions on conversion could be implemented. If the Group is unable to obtain sufficient foreign currency to satisfy its currency demands, the Group may not be able to make payments in foreign currencies, which could adversely affect its ability to make payments on the Bonds through the Issuer.

There exists uncertainty to enforce any judgements obtained from non-PRC courts against the Guarantor or its directors, supervisors or senior executive officers residing in China

Most of the Guarantor's directors, supervisors and executive officers reside in China. In addition, most of the Guarantor's assets and those of its directors, supervisors and executive officers are located in China. There are currently no treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries. As a result, there exists uncertainty for investors to serve process on the Guarantor or those persons in China, or to enforce against the Guarantor or them in China any judgements obtained from non-PRC courts.

Fluctuations in the value of the RMB could materially affect the Group's financial condition and results of operations

The Group collects a majority of its revenue generated in the PRC in RMB, some of which may need to be converted into U.S. dollars to make payment under the Bonds. The value of the RMB fluctuates and is subject to changes in China's political and economic conditions. Since 21 July 2005, the RMB has no longer been pegged solely to the U.S. dollar. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a basket of currencies. It is likely that the exchange rates of the Hong Kong dollar and the U.S. dollar against the RMB will fluctuate further. In the event of a significant change in the exchange rate of the U.S. dollar against the RMB, the Group's ability to make payments in U.S. dollars may be adversely affected. With increased volatility in exchange rates and a more market-oriented mechanism for determining the mid-point exchange rates, RMB may appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long term.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Bonds may not be a suitable investment for all investors

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

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

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

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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.

The liquidity and price of the Bonds following the offering may be volatile

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in each of the Issuer Group's and/or the Group's revenue, earnings and cash flows 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 Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Members of the Group may subscribe for the Bonds as initial investors and purchase Bonds in the secondary market

Under the terms of the Bonds, Bonds purchased by members of the Group are not required to be surrendered for cancellation. Members of the Group may therefore purchase the Bonds as initial investors and may purchase and sell Bonds in the secondary market. The interests of such member of the Group may be different from the interests of the other holders of the Bonds. If any member of the Group subscribes for the Bonds as an investor, the liquidity of the Bonds may be limited and the proceeds received by the Issuer from external investors will be less than the aggregate principal amount of the Bonds. Investors should take the foregoing into account when making an investment decision in the Bonds.

The Bonds constitute a new issue of securities for which there is no existing trading market

There is currently no existing trading market for the Bonds and the Bonds offer limited liquidity. Although an application will be made to the Hong Kong Stock Exchange, the Issuer and the Guarantor cannot guarantee that the application to the Hong Kong Stock Exchange will be approved, or that a liquid trading market for the Bonds will develop or continue. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer Group's or the Group's operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

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

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the PRC or any subdivision or authority therein or thereof having power to tax. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*" for additional details.

The Bonds are redeemable prior to their maturity

Pursuant to Terms and Conditions, the Issuer may elect to redeem the Bonds prior to their maturity in whole but not in part at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption. The date on which the Issuer elects to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer*" for additional details.

The Issuer or the Guarantor may not be able to meet its outstanding obligations under the Bonds

The Issuer, failing whom, the Guarantor may (and at maturity, will) be required to redeem all of the Bonds. If such an event were to occur, the Issuer or the Guarantor may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by or on behalf of the Issuer or the Guarantor may constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Guarantor's other indebtedness.

The Trustee may request the Bondholders to provide an indemnity and/or 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 11 (*Events of Default*) of the Terms and Conditions of the Bonds and taking action pursuant to Condition 11 (*Events of Default*) of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or prefunded and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed constituting the Bonds 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 Bondholders to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, Agency Agreement and the Deed of Guarantee by the Trustee or less than all of the Bondholders

The Terms and Conditions of the Bonds contain provisions for calling meetings (including by way of teleconference or videoconference call) of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including those Bondholders who do not attend and vote at the relevant meeting and those Bondholders who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of a majority of Bondholders may be adverse to the interests of individual Bondholders.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to any modification of the Trust Deed, the Agency Agreement or the Deed of Guarantee which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Agency Agreement or the Deed of Guarantee which is of a formal, minor or technical nature or is to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

In addition, the Trustee may, without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Agency Agreement or the Deed of Guarantee (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Obligations of the Guarantor under the Bonds are structurally subordinated to the current and future liabilities and obligations of the Guarantor's subsidiaries.

The obligations of the Guarantor under the Bonds will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of its existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Guarantor and those of the Guarantor's creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of the Guarantor's subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Bonds. In addition, even if the Guarantor was a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Guarantor.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds 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 Bonds.

Claims by the holders of the Bonds are structurally or effectively subordinated to secured debt

The Bonds are senior and unsecured obligations of the Issuer. Payments under the Bonds are structurally or effectively subordinated to all the secured debts of the Issuer to the extent of the value of the assets securing such debts. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer, the assets of the Issuer could not be used to pay the holders of the Bonds until after all secured claims against the Issuer have been fully paid.

The Group may issue additional Bonds in the future

The Issuer Group or the Group may, from time to time, and without prior consultation of the Bondholders create and issue further Bonds (See "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations

The rate of interest on the Bonds will be calculated on the basis of Compounded SOFR Index (as further described under Condition 6 of Terms and the Conditions of the Bonds).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London Interbank Offered Rate ("**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repofinancing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on the Bonds will be calculated on the basis of compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Bondholders therefore will not know in advance the interest amount which will be payable on the Bonds.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Bondholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Bank has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Bondholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Bonds and a reduction in the trading prices of the Bonds which would negatively impact the Bondholder who could lose part of their investment.

The Terms and Conditions of the Bonds provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Bondholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Bonds if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to the Bonds.

The market continues to develop in relation to SOFR as a reference rate for the Bonds

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Terms and Conditions of the Bonds. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR 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 Bonds. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Bonds. Similarly, if SOFR do not prove widely used in securities such as the Bonds, investors may not be able to sell the Bonds at all or the trading price of the Bonds may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. The Bonds may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of the Bonds or mean that investors in the Bonds may not be able to sell the Bonds at all or may not be able to sell the Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to the Bonds.

Gains on the transfer of the Bonds may be subject to income tax under PRC tax laws

Under the new EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關于對所得避免雙重徵稅和防止偷漏稅的安排), Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

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

Any adverse revision to the Issuer's and 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 Issuer Group's or the Group's business, its financial performance and the trading price of the Bonds. Further, the Issuer Group's or the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The Issuer or the Guarantor may not be able to repurchase the Bonds upon a change of control or No Registration Event

Following the occurrence of a Change of Control or No Registration Event, Bondholders may require the Issuer to redeem their Bonds. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption upon Change of Control or No Registration Event*". The source of funds for any such redemption would be the Issuer's or the Guarantor's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Bonds.

If an event constituting a Change of Control or No Registration Event occurs at a time when the Issuer is prohibited from repurchasing the Bonds, the Issuer may seek the consent of the lenders under such indebtedness to purchase the Bonds or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer may be unable to repurchase the Bonds. The Issuer's failure to make the offer to purchase or purchase the outstanding Bonds would constitute an event of default under the Bonds. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If the Issuer's other debt were to be accelerated, it may not have sufficient funds to purchase the Bonds and repay the debt.

Certain of the events constituting a Change of Control under the Bonds may also constitute an event of default under certain of the Issuer's debt instruments, requiring repurchase of such debt or otherwise cancelling its lenders' commitments under such debt instruments. In addition, future debt of the Issuer may also (1) prohibit the Issuer from purchasing Bonds in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Bondholders of their right to require the Issuer to purchase the Bonds could cause a default under the Issuer's other indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

If the Issuer or the Guarantor is unable to comply with the terms of the Trust Deed governing the Bonds or its future debt agreements, there could be a default under those agreements, which could cause repayment of the debt of the Issuer to be accelerated

If the Issuer or the Guarantor is unable to comply with the terms in the Trust Deed governing the Bonds or its future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, as the case may be, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the Trust Deed governing the Bonds contains, and the Issuer's or the Guarantor's future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, including the Bonds, or result in a default under its other debt agreements, including the Trust Deed governing the Bonds. If any of these events occur, the Issuer's or the Guarantor's assets and cash flow might not be sufficient to repay in full all of its indebtedness and the Issuer or the Guarantor might not be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, it might not be on terms that are favourable or acceptable to it.

The Bonds will initially be held in book-entry form, and therefore Bondholders must rely on the procedures of the relevant clearing systems to exercise any rights and remedies

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate representing the Bonds will trade in book-entry form only, and Bonds in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Trust Deed. A common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, Bondholders must rely on the procedures of Euroclear or Clearstream, and if a Bondholder is not a participant in Euroclear or Clearstream, on the procedures of the participant through which the Bondholder owns its interest, to exercise any rights and obligations of a holder of the Bonds under the Trust Deed. Upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Bonds are issued in respect of all book-entry interests, if a Bondholder owns a book-entry interest, such Bondholder will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds. See "*SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM*".

Investors in the Bonds may be subject to foreign exchange risks

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer's Group and the Group has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

International financial markets and world economic conditions may adversely affect the market price of the Bonds

Developments in other markets may adversely affect the market price of the Bonds. The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets. 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. Since the sub-prime mortgage crisis in 2008, 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 Bonds could be adversely affected.

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 to foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax law

Under the EIT Law and the implementation rules which both took effect on 1 January 2008 and further amended on 24 February 2017 and 29 December 2018 respectively, enterprises established outside the PRC whose "de facto management bodies" are located in China 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.

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 State Administration of Taxation on 22 April 2009 ("**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 China 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 China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. On 27 July 2011, the State Administration of Taxation issued Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group (境外註冊中資控股居民企業所得稅管理辦法) ("**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 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China 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 the foreign enterprise is a resident enterprise after its active investigation.

To date, the Issuer has not been notified by the competent tax bureau that it is a PRC resident enterprise. 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, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Bonds to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Bonds to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China 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. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Bonds may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax.

If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's foreign investors who are "non-resident enterprises", the Issuer will be required to pay such additional amounts as will result in receipt by a holder of the Bonds 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 Bonds, and could have a material adverse effect on its ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow. In addition, if Bondholders are required to pay PRC income tax on the transfer of the Bonds, the value of investments in the Bonds may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The Issuer may be able to redeem the Bonds in whole at a redemption price equal to 100 per cent. of the principal amount plus accrued and unpaid interest in the event the Issuer is required to pay additional amounts because it is treated as a PRC "resident enterprise"

In the event that the Issuer is treated as a PRC "resident enterprise" under the EIT Law, it may be required to withhold PRC income tax on interest payable to certain of its non-resident investors. In such case, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as have been received by the holder had no such withholding been required. As set out in Condition 8.2 (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds, in the event that as a result of a change in PRC tax law such that such PRC deduction or withholding is in excess of the Applicable Rate (as defined in the Terms and Conditions of the Bonds) and the Issuer is required to pay additional amounts as a result of certain changes in, or interpretations of, tax law, including any change or interpretation that results in the Issuer being required to withhold tax on interest payments as a result of its being treated as a PRC "resident enterprise", the Issuer may redeem the Bonds in whole at the principal amount, together with interest accrued to the date fixed for redemption but unpaid.

A change in English law which governs the Bonds may adversely affect holders of the Bonds.

The Terms and Conditions of the Bonds are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds and any such change could materially and adversely impact the value of any Bonds affected by it.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters

The Terms and Conditions of the Bonds are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. The Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") will come into effect on 29 January 2024, upon which the Arrangement will be repealed. Under the 2019 Arrangement, PRC courts will generally recognise and enforce civil and commercial judgments given by Hong Kong courts provided that certain jurisdictional requirements are satisfied. Similar to the Arrangement, a PRC court may also refuse to recognise or enforce a Hong

Kong judgment under the 2019 Arrangement if the PRC court considers that doing so would be manifestly contrary to the public principles of PRC law or the social and public interests of the PRC. The 2019 Arrangement applies to civil and commercial judgments given by the PRC and Hong Kong courts on or after 29 January 2024. Any "choice of court agreement in writing" (with the meaning of the Arrangement) entered into before the commencement of the 2019 Arrangement, being 29 January 2024, will continue to be governed by the Arrangement.

However, recognition and enforcement of a Hong Kong court judgment in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. As compared to other similar debt securities issuances in the international capital markets where the relevant security holders would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

The insolvency laws of the Cayman Islands and the PRC may differ from those of another jurisdiction with which the Bondholders are familiar

As the Issuer is incorporated under the Cayman Islands laws and the Guarantor is incorporated under the PRC laws, any insolvency proceeding relating to the Issuer or the Guarantor, even if brought in other jurisdictions, would likely involve insolvency laws of the Cayman Islands or the PRC, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

PRC corporate disclosure and accounting standards differ from IFRS.

The financial statements of the Guarantor are prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. See "*Description of Certain Differences between PRC GAAP and IFRS*".

Any failure to complete the relevant filings and/or submit the requisite information and documents under the NDRC Administrative Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

Any failure to complete the relevant filings under the NDRC Administrative Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds. The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and is supplemented and amended by other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities, file with NDRC the requisite information and documents of the relevant issues through the network system within 10 working days after both the completion of the issue of the securities and the expiration date of the examination registration certificate (企業借用外債審核登記證明) obtained from the NDRC. In addition, within five PRC working days before the end of January and the end of July during each year that the Bonds are outstanding, the Guarantor shall report through the NDRC Online Reporting System the information on the use of proceeds raised from the offering of the Bonds, the repayment of principal and interest on the Bonds and the related plans and key operating indicators of the Guarantor, among other matters. For any major event(s) that may affect the normal performance of debt obligations by the Issuer (failing whom, the Guarantor), such as overseas and domestic debt repayment risk or significant asset restructuring, the Guarantor shall submit relevant information in a timely manner and adopt measures to isolate the relevant risks and prevent spillover of default risks and cross-default risks of domestic notes.

However, the NDRC Administrative Measures have been issued quite recently, and it may be subject to further changes upon the issuance of further clarification rules or interpretation by competent authorities. There is uncertainty as to the application of the NDRC Administrative Measures. For example, while the NDRC Administrative Measures have set out the legal consequences for debtors and professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures are silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. There is no assurance that failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the Issuer's ability to perform its obligations under any of the Bonds, the Trust Deed or in accordance with the Terms and Conditions or on the validity and enforceability of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

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

Under the Guarantee, the Guarantor will undertake to guarantee the due payment of all sums expressed to be payable by the Issuer due under the Bonds and the Trust Deed.

The Guarantor is required by the Cross-border Security Registration to register the Guarantee with SAFE within 15 working days of the date of execution of the Guarantee. SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be 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 SAFE registration in connection with the Guarantee in order to effect such remittance. The Guarantor intends to register the Guarantee as soon as practicable and in any event before the Registration Deadline (being 150 Registration Deadline Business Days after the Issue Date). If the registration is not completed on or before the Registration Deadline, each Bondholder will have the right to request the Issuer to redeem all of that Bondholder's Bonds and will need to rely on the Issuer to source sufficient U.S. dollars to fully discharge its obligations under the Bonds and the Trust Deed. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.$300,000,000. The Issuer intends to use the net proceeds from this offering, consisting of the gross proceeds less the underwriting discounts and commissions and other expenses payable in connection with the Bonds, for refinancing existing indebtedness.

EXCHANGE RATES

PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Following an announcement by the PBOC on 11 August 2015 that authorised market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market, the Renminbi depreciated significantly against the U.S. dollar through the remainder of 2015 and 2016 before rebounding in 2017. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a depreciation in value against U.S. dollar followed by fluctuations in 2018 and 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate to above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. 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 the Renminbi and the U.S. dollar for the periods presented:

	Noon Buying Rate(1)			
	Actual		**As adjusted**	
	End	**Average(2)**	**High**	**Low**
	(RMB per U.S.$1.00)			
Year				
2014	6.2046	6.1620	6.2591	6.0402
2015	6.4778	6.2827	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4382	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3084
2023	7.0999	7.0896	7.3430	6.7010
2024				
January (through 19 January 2024)	7.1931	7.1688	7.1961	7.1426

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK$7.80 to U.S.$1.00. The central element in the arrangements which gave effect to the peg is that, by agreement between the Hong Kong Special Administrative Region government and the three Hong Kong banknote issuing banks (i.e., The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and the Bank of China Limited), certificates of indebtedness, which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issues, are issued and redeemed only against payment in U.S. dollars at the fixed exchange rate of HK$7.80 to U.S.$1.00. When the banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent U.S. dollars at the fixed rate.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate which applies to the issue of the Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated materially from the level of HK$7.80 to U.S.$1.00 since the peg was first established. However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong Special Administrative Region government has stated its intention to maintain the link at that rate and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Special Administrative Region government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Special Administrative Region government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, or at all.

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

	Noon Buying Rate[1]			
	Actual		As adjusted	
	End	Average[2]	High	Low
	(HKD per U.S.$1.00)			
Year				
2014	7.7531	7.7545	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	7.8267	7.7540
2018	7.8316	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7740	7.8034	7.7515
2022	7.8015	7.8324	7.8499	7.7693
2023	7.8109	7.8309	7.8499	7.7920
2024				
January (through 19 January 2024)	7.8184	7.8159	7.8263	7.8065

Notes:

(1) Exchange rates between Hong Kong dollar and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the definitive bonds and referred to in the Global Certificate.

The U.S.$300,000,000 Floating Rate Guaranteed Bonds due 2027 (the "**Bonds**", which expression includes, unless the context requires otherwise, any further bonds issued pursuant to Condition 18 and consolidated and forming a single series therewith) issued by China Industrial Securities International Financial Group Limited 興證國際金融集團有限公司 (the "**Issuer**") are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") to be dated on or about 2 February 2024 (the "**Issue Date**") between the Issuer, Industrial Securities Co., Ltd. (formerly known as China Industrial Securities Co., Ltd)(興業證券股份有限公司)(the "**Guarantor**") as guarantor of the Bonds and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being as the trustee or trustees under the Trust Deed, and shall include its successors or assigns) as trustee for itself and the holders of the Bonds (the "**Bondholders**"). The Bonds were authorised by written resolutions of the board of directors of the Issuer dated 25 January 2024. The giving of the Guarantee (as defined below) was authorised by resolutions of the board of directors of the Guarantor on 25 August 2023 and of the shareholders of the Guarantor on 29 June 2023.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed, the deed of guarantee to be dated on or about the Issue Date given by the Guarantor (the "**Guarantee**") and the agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") to be dated on or about the Issue Date relating to the Bonds between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**"), and The Bank of New York Mellon, London Branch as initial principal paying agent (the "**Principal Paying Agent**"), as calculation agent (the "**Calculation Agent**") and other agents (each named therein) and the Trustee are (i) available to Bondholders upon prior written notice and upon satisfaction of proof of holding, during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) from the specified office for the time being of the Principal Paying Agent, or (ii) available to Bondholders via email following satisfactory proof of holding. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent, the Calculation Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and shall include their respective successors or assigns. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Guarantee and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Bonds are issued in registered form in amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (referred to as the "**principal amount**" of a Bond). A bond certificate (each, a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders which the Issuer will procure to be kept by the Registrar, at the registered office of the Issuer and in accordance with the provisions of the Agency Agreement (the "**Register**").

1.2 Title

Title to the Bonds passes only by registration in the Register. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" means the person in whose name a Bond is registered in the Register.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These conditions are modified by certain provisions contained in the Global Certificate.*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2. TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

2.1 Transfer

A Bond may, subject to the Agency Agreement and Conditions 2.4 and 2.5, be transferred by depositing the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents.

2.2 Delivery of New Certificates

Each new Certificate to be issued upon transfer of Bonds will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Bond to the address specified in the form of transfer. For the purposes of this Condition 2.2, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Bonds in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Bonds not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

2.3 Formalities Free of Charge

Registration of transfer of Bonds will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal, premium (if any) or interest on that Bond, (ii) after a Put Exercise Notice (as defined in Condition 8.3) has been deposited in respect of the Bonds pursuant to Condition 8.3, (iii) after any such Bond has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7.1).

2.5 Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Trust Deed. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (at the expense of the Issuer) by the Registrar to any Bondholder who requests one.

3. STATUS OF THE BONDS

The Bonds are direct, unconditional, unsubordinated and (subject to the provisions of Condition 5) unsecured obligations of the Issuer and (subject as stated above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. GUARANTEE

4.1 Guarantee

The payment of principal, premium (if any) and interest in respect of the Bonds and all other moneys expressed to be payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Guarantee.

4.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 5) unsecured obligations of the Guarantor and (subject as stated above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

5. COVENANTS

5.1 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer and the Guarantor will not, and the Guarantor will procure that none of its other Subsidiaries (as defined below) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (other than any Permitted Security Interest) (the "**Security**") upon the whole or any part of its business, undertaking, assets or revenues (including any uncalled capital), present or future, to secure the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness, or any guarantee of or indemnity given in respect of the repayment or payment of principal, premium or interest of or on any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer's obligations under the Bonds or, as the case may be, the Guarantor's obligations under the Guarantee (i) are secured by the Security equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement (whether or not it includes the giving of a Security) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the interests of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

5.2 Provision of Information

So long as any Bond remains outstanding:

(a) the Issuer and the Guarantor will each furnish the Trustee with a Compliance Certificate on which the Trustee may rely as to such compliance within 14 days after demand by the Trustee therefor and at the same time as the provision of the Audited Financial Reports referred in Condition 5.2(b) below;

(b) the Issuer and the Guarantor shall each prepare and supply to the Trustee within 150 days (in the case of the Guarantor) and 120 days (in the case of the Issuer) after the end of each financial year for the time being (which is, at the Issue Date, 31 December) a copy of the relevant Audited Financial Reports, prepared in accordance with generally accepted accounting principles applicable to enterprises established in Hong Kong or, as the case may be, the PRC, together with the relevant audit report thereto as at and for the last financial year, (X) each in English; or (Y) if such statements shall be in the Chinese language, together with an English translation of the same translated by (i) the Guarantor's auditor (in the case of the Guarantor) or the Issuer's auditor (in the case of the Issuer), (ii) an internationally recognised firm of independent accountants of good repute or (iii) a professional translation service provider, together with a certificate in the English language signed by an Authorised Signatory of the Issuer or the Guarantor (as the case may be) certifying that such translation is complete and accurate; and

(c) the Issuer and the Guarantor shall each prepare and supply to the Trustee within 90 days after the end of each financial half-year for the time being (which is, at the Issue Date, 30 June) the unaudited semi-annual financial statements of the Issuer and the Guarantor (including but not limited to the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, each on an individual and a consolidated basis, together with accompanying notes), prepared on a basis consistent with the Audited Financial Reports, (X) each in English or (Y) if such financial statements shall be in the Chinese language, together with an English translation of the same translated by (i) the Guarantor's auditor (in the case of the Guarantor) or the Issuer's auditor (in the case of the Issuer), (ii) an internationally recognised firm of independent accountants of good repute or (iii) a professional translation service provider, together with a certificate in the English language signed by an Authorised Signatory of the Issuer or the Guarantor (as the case may be) certifying that such translation is complete and accurate;

provided that, if at any time the capital stock of the Issuer or, as the case may be, the Guarantor, are listed for trading on a recognised stock exchange, the Issuer or, as the case may be, the Guarantor, may furnish the Trustee, as soon as they are available but in any event not more than 14 Business Days (as defined in Condition 7) after any financial or other reports of the Issuer are filed with the stock exchange on which the Issuer's or, as the case may be, the Guarantor's shares are at any time listed for trading, with true and correct copies of any financial or other report filed with such stock exchange in lieu of the reports identified in Conditions 5(b) and (c) above (provided that the obligation to provide Compliance Certificates as set out in Condition 5(a) and in the Trust Deed shall continue and not be affected by this proviso) and if such financial or other report referred to in this proviso shall be in the Chinese language, the Issuer or, as the case may be, the Guarantor is obliged to furnish the Trustee with an English translation of the same translated by (i) the Issuer's or the Guarantor's auditor (as the case may be), (ii) an internationally recognised firm of independent accountants of good repute or (iii) a professional translation service provider, together with a certificate in the English language signed by an Authorised Signatory of the Issuer or the Guarantor (as the case may be) certifying that such translation is complete and accurate.

The Trustee shall not be required to review the Audited Financial Reports or the unaudited semi-annual financial statements delivered to it as contemplated in this Condition 5.2 and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

5.3 Undertakings relating to NDRC

The Guarantor undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC (the "**NDRC**") the requisite information and documents within ten PRC Business Days after the Issue Date (or with respect to any further issue pursuant to Condition 18, the issue date of such further issue) (the "**NDRC Post-issue Filing**") in accordance with the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective on 10 February 2023, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Administrative Measures**") and (ii) comply with all applicable PRC laws, rules and regulations in connection with the NDRC Post-issue Filing.

The Guarantor shall (i) within ten PRC Business Days after submission of such NDRC Post-issue Filing, provide the Trustee with (x) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory confirming the submission of the NDRC Post-issue Filing, together with (y) copies of the relevant document(s) (if any) evidencing due filing with the NDRC, each certified in English as true and complete copies of the originals by an Authorised Signatory and (ii) within ten PRC Business Days after provision of the documents described above to the Trustee, instruct the Principal Paying Agent to publish the notice to the Bondholders (in accordance with Condition 14) substantially in the form scheduled to the Trust Deed confirming the submission of the NDRC Post-issue Filing. The Trustee may rely conclusively on the documents described in this Condition 5.3 and shall have no obligation to monitor or ensure the filing or completion of the NDRC Post-issue Filing or any filings required pursuant to the NDRC Administrative Measures are made on or before the deadline referred to above or as otherwise required by this Condition 5.3 or to assist with the NDRC Post-issue Filing or any filings required pursuant to the NDRC Administrative Measures or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other document in relation to or in connection with the NDRC Post-issue Filing or any filings required pursuant to the NDRC Administrative Measures or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing or any filings required pursuant to the NDRC Administrative Measures, and the Trustee shall not be liable to the Bondholders or any other person for not doing so.

5.4 Registration of the Guarantee

The Guarantor undertakes that it will (i) register or cause to be registered with the State Administration of Foreign Exchange of the PRC ("**SAFE**") the Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security(跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the "**Cross-Border Security Registration**"), and any implementation rules as issued by SAFE from time to time, (ii) use its reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in Condition 8.3) and (iii) comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall (i) within ten PRC Business Days after the receipt of the registration record from SAFE, provide the Trustee with (x) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory confirming such registration, together with (y) copies of the relevant document(s) (if any) evidencing such registration with SAFE, each certified in English as true and complete copies of the originals by an Authorised Signatory (such certificate and documents being the "**Registration Documents**") and (ii) within ten PRC Business Days after provision of the Registration Documents to the Trustee, instruct the Principal Paying Agent to publish the notice to the Bondholders (in accordance with Condition 14) substantially in the form scheduled to the Trust Deed confirming the Cross-Border Security Registration. The Trustee shall have no obligation or duty to monitor or ensure the registration of the Guarantee with SAFE 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 Cross-Border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

For the purposes of these Conditions (and unless otherwise stated):

(a) "**Audited Financial Reports**" means annual audited consolidated financial statements (including, for the removal of doubt, such financial statements as at and for the year ended 31 December of the year prior to the Issue Date) of the Issuer and, as the case may be, the Guarantor, which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Issuer or, as the case may be, the Guarantor, together with any directors' report, the independent auditors' report and notes to the consolidated financial statements;

(b) "**Authorised Signatory**" has the meaning given to it in the Trust Deed;

(c) "**Compliance Certificate**" means a certificate of the Issuer or, as the case may be, the Guarantor (in the form or substantially in the form set out in Schedule 5 to the Trust Deed) signed by any one of their respective Authorised Signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer, as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

    (i) no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

    (ii) each of the Issuer and the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Guarantee and the Bonds, to which it is a party;

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

(e) "**Guarantor Group**" means the Guarantor and any of its Subsidiaries;

(f) "**Issuer Group**" means the Issuer and any of its Subsidiaries;

(g) "**Permitted Security Interest**" means any of the following:

    (i) any Security over or affecting any asset acquired by a member of the Issuer Group or the Guarantor Group after the Issue Date if:

(1) the Security is in existence at the date of acquisition and was not created in contemplation of the acquisition of that asset by a member of the Issuer Group or Guarantor Group (as the case may be);

(2) the assets concerned are solely listed or unlisted equity investments made in the ordinary course of its business; and

(3) the principal amount secured does not exceed the amount secured as at the date of such acquisition;

(ii) any Security over any or affecting any asset of a member of the Issuer Group or the Guarantor Group created for the purposes of that member of the Issuer Group's or the Guarantor Group's equities, derivatives or structured products issuance business, which, in each case, save for such Security that does not otherwise have recourse against any member of the Issuer Group or the Guarantor Group (as the case may be);

(iii) any Security created for the securities margin financing business, fixed income business, stock borrowing and lending business (including, without limitation, pursuant to transactions entered into under global master securities lending agreements consistent with the form of the Global Master Securities Lending Agreement published, from time to time, by the International Securities Lending Association (or any successor person) and under global master repurchase agreements consistent with the form of the Global Master Repurchase Agreement published, from time to time, by the International Capital Market Association (or any successor person)) or any back-to-back financial instrument created for client transactions of a member of the Issuer Group or the Guarantor Group, which, in each case, save for such Security that does not otherwise have recourse against any member of the Issuer Group or the Guarantor Group, provided that such Security shall be limited to the underlying shares or instruments under the relevant securities margin financing, stock borrowing and lending or fixed income scheme in accordance with the Issuer Group's or the Guarantor Group's margin financing, stock borrowing or lending or fixed income policy, as the case may be;

(h) "**PRC**" means the People's Republic of China excluding the Special Administrative Regions of Hong Kong and Macau and the region of Taiwan;

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

(j) "**Relevant Indebtedness**" means any present or future indebtedness incurred outside the PRC (whether being principal, premium, interest or other amounts) in the form of, or represented by, any notes, bonds, debentures, debenture stock, loan stock, certificates or other securities which are, or are intended to be or capable of being quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market; and

(k) "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, 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.

6. INTEREST

6.1 Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate which is equal to Compounded SOFR Index (as defined below) plus 0.90 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 2 February, 2 May, 2 August and 2 November in each year (each, an "**Interest Payment Date**").

If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.

The Rate of Interest and amount of interest to be paid on the Bonds for each Interest Period (as defined in Condition 6.4) will be calculated by the Calculation Agent and determined by the Calculation Agent on the relevant Interest Determination Date; however, the Issuer may change the Calculation Agent by giving to the Trustee and the Calculation Agent at least 30 days' notice, and the Calculation Agent may resign as calculation agent at any time by giving the Issuer and the Trustee at least 30 days' notice. The Issuer may in addition appoint an additional Calculation Agent under these Bonds. All determinations made by the Issuer or its designee (as defined below) and all calculations made by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the holders of the Bonds and any other party. In the event that any then acting calculation agent shall be unable or unwilling to act, or that such calculation agent shall fail duly to establish Compounded SOFR Index for any Interest Period, or that the Issuer proposes to remove such calculation agent, the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as an additional calculation agent and make such determination. Notwithstanding any other provision of the Conditions, in the event there are provisions in the Bonds or the ISDA Definitions that require the Calculation Agent to exercise discretion, such references shall be deemed to be the references to the Calculation Agent acting upon instruction of the Issuer or the Issuer shall (with prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to make the relevant determination, or the Issuer shall appoint another entity to act as calculation agent as soon as reasonably practicable after being notified by the Calculation Agent of its inability to exercise such discretion, and the existing calculation agent shall be released of its obligations in respect of the without liability. The termination of the appointment of the Calculation Agent (whether by the Issuer or by the resignation of such Calculation Agent) shall not be effective unless there exists at least one Calculation Agent appointed under the Bonds.

For the purposes of these Conditions (and unless otherwise stated):

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

"**business day**" means any weekday that is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in New York are authorised or required by law or regulation to be closed;

"**Compounded SOFR Index**" means, for the applicable Interest Period, compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

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

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:

"$\mathbf{d_c}$" means the number of calendar days in the applicable SOFR Observation Period;

"**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 Benchmark Replacement Date (as defined in Condition 6.4) have not occurred, the "SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the formula described below in the term "SOFR Observation Shift"; or

(2) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 6.4 shall apply;

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

"**SOFR Index$_{\mathbf{Start}}$**" means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days 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**" means the percentage calculated by the Calculation Agent in accordance with the following:

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

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

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

"**SOFR Observation Period**" means, in respect of each Interest 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;

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

"**d$_o$**" 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_o, 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$_i$**", 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.

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

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Period, the date specified as such hereon or, if none is so specified, the day falling two U.S. Government Securities Business Day prior to the last day of such Interest Period;

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

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

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

(A) 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;

(B) if the reference rate specified in (A) above does not appear and a SOFR Benchmark Transition Event and its related 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

(C) if the reference rate specified in (A) above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 6.4 shall apply;

"**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;

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

"**SOFR Observation Shift Days**" means five U.S. Government Securities Business Days; 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.

6.2 Interest Accrual

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused, in such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of:

(a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder; and

(b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

6.3 Interest Period and Calculation of Broken Interest

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date (or the relevant payment date if the Bonds become payable on a date other than an 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 (or the relevant payment date if the Bonds become payable on a date other than an Interest Payment Date) is called an "**Interest Period**".

The relevant day-count fraction will be determined on the basis of the actual number of days in the Interest Period divided by 360.

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6.4 Benchmark Replacement

(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 Issuer shall notify the Bondholders, the Trustee and the Agents and the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Bonds 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 6.4, 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. Bondholders' 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 Principal Paying Agent, 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 6.4, 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 Bonds, shall become effective without consent from the Bondholders or any other party.

For the purposes of these Conditions (and unless otherwise stated):

"**Benchmark**" means, initially, Compounded SOFR Index; 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 Compounded SOFR Index (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**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 bonds 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 (which may be a positive or negative value or zero), or method for calculating or determining such spread adjustment 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 bonds 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" is applicable, 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" is applicable, 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;

"**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;

"**Reference Time**" with respect to any determination of the Benchmark means (a) if the Benchmark is Compounded SOFR Index, the SOFR Index Determination Time, or (b) if the Benchmark is not Compounded SOFR Index, the time determined by the Issuer or any of its designees after giving effect to the Benchmark Replacement Conforming Changes;

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

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

7. PAYMENTS

7.1 Payments in respect of Bonds

Payment of principal, premium (if any) and interest will be made by transfer to the registered account of the Bondholder. Payments of principal or premium and payments of interest due otherwise than on an Interest Payment Date will only be made against (provided that payment is made in full) surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Bonds due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the "**record date**") being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Bondholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollar, details of which appear on the Register at the close of business, in the case of principal, premium and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Bondholder's "**registered address**" means its address appearing on the Register at that time.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), each payment in respect of the Global Certificate will be made to the person shown as the Bondholder 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.*

7.2 Payments subject to Applicable Laws

Payments in respect of principal, premium (if any) and interest on Bonds are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9 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 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

7.3 No commissions

No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

7.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated on the due date for payment (or, if it is not a Business Day, the immediately following Business Day) or, in the case of a payment of principal and premium or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent. Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day (subject to the foregoing proviso), if the Bondholder is late in surrendering its Certificate (if required to do so). If any date for payment in respect of any Bond is not a Business Day, the Bondholder shall not be entitled to any interest or other sum in respect of such postponed payment.

In these Conditions, "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business in New York City, Hong Kong and London and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.5 Partial Payments

If the amount of principal, premium or interest which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount of principal, premium or interest in fact paid.

7.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. Each of the Issuer and the Guarantor reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(i) there will at all times be a Principal Paying Agent;

(ii) there will at all times be a Transfer Agent;

(iii) there will at all times be a Calculation Agent; and

(iv) there will at all times be a Registrar which will maintain the Register outside the United Kingdom.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Bondholders promptly by the Issuer in accordance with Condition 14.

8. REDEMPTION AND PURCHASE

8.1 Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on or nearest to 2 February 2027 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 8.

8.2 Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption but unpaid, if:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 9), or any change in, or amendment to, the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective on or after 26 January 2024 either (i) the Issuer would be required to pay Additional Tax Amounts as provided or referred to in Condition 9 or (ii) (if the Guarantee is called) the Guarantor in making payment itself would be required to pay such Additional Tax Amounts; and

(b) such obligation cannot be avoided by the Issuer, or as the case may be, the Guarantor 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, as the case may be, the Guarantor would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Trustee (i) a certificate signed by an Authorised Signatory of the Issuer or, as the case may be, the Guarantor stating that the obligation referred to in subparagraph (a) above cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it and (ii) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but not obliged) to, and without liability to any person for doing so, accept and rely on (without further investigation or query) such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in subparagraph (a) and (b) above, in which event they shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

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 and shall not be liable to any Bondholders or any other Person for not doing so.

8.3 Redemption for Change of Control or No Registration Event

At any time following the occurrence of a Change of Control or No Registration Event (each as defined below), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined herein) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any Transfer Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control or No Registration Event, as the case may be, or, if later, 30 days following the date upon which notice thereof is given to the Bondholders by the Issuer in accordance with Condition 14.

The "**Put Settlement Date**" shall be the fourteenth day or, if such day is not a business day, the next following business day (in the case of a redemption for a Change of Control) or the fifth business day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date. If the Bonds become due and repayable due to the occurrence of an Event of Default following the delivery of a Put Exercise Notice but prior to the occurrence of the relevant Put Settlement Date, such Put Exercise Notice shall be deemed to be void.

The Issuer, failing whom the Guarantor, shall give notice to Bondholders in accordance with Condition 14 and to the Trustee, the Transfer Agent and the Principal Paying Agent 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 Change of Control or No Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8.3.

The Trustee and the Agents shall not be required to monitor or to take any steps to ascertain whether a Change of Control or No Registration Event or any event which could lead to the occurrence of a Change of Control or No Registration Event has occurred or to give notice to Bondholders that a Change of Control or No Registration Event has occurred and shall not be responsible or liable to the Bondholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

In this Condition 8.3:

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

a. the Guarantor ceases to, directly or indirectly, own or control the Issuer; or

b. Fujian Provincial Department of Finance (福建省財政廳) or any other person or entity directly controlled by the central government of the PRC (the "**PRC Government Persons**") ceases to be the largest single shareholder of the Guarantor; or

c. any Person or Persons (other than Fujian Provincial Department of Finance (福建省財政廳)) or any PRC Government Persons acting together acquires control of the Guarantor; or

d. the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, other than any Person directly or indirectly controlled by the Guarantor; or

e. the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, other than any Person directly or indirectly controlled by the Fujian Provincial Department of Finance (福建省財政廳) or any PRC Government Persons;

"**control**" means (i) the ownership or control of no less than 50 per cent. of the voting rights of each class of shares of the Issuer or the Guarantor, as the case may be, or (ii) the right to appoint and/or remove all or the majority of the members of the board of directors or other governing body of the Issuer or the Guarantor, as the case may be, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "**No Registration Event**" occurs when the Release Condition is not complied with on or before the Registration Deadline;

"**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) but does not include the Guarantor's board of directors or any other governing board and does not include the Guarantor's wholly-owned direct or indirect subsidiaries;

"**Registration Deadline**" means the day falling 150 Registration Deadline Business Days after the issue date of the Bonds;

"**Registration Deadline Business Day**" for the purposes of this definition means a day other than a Saturday or Sunday on which banks are open for business and settlement in Fujian; and

"**Release Condition**" means the receipt by the Trustee of the Registration Documents.

8.4 Redemption at the Option of the Issuer

On or after 2 January 2027, being the date that falls one month prior to the Maturity Date, the Issuer may redeem the Bonds at any time by giving not less than 30 nor more than 60 days' irrevocable notice to the Bondholders (in accordance with Condition 14) and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable), redeem all, but not some only, of the Bonds at 100 per cent. of their principal amount, together with interest accrued to, but excluding, the date fixed for redemption.

8.5 Notices of Redemption

If, in respect of any Bond, both a redemption notice pursuant to Condition 8.2 or Condition 8.4 and a Put Exercise Notice are given, the notice given first in time shall prevail.

8.6 Purchases

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries (as defined in Condition 5) may at any time purchase Bonds in any manner and at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries, the holding company of the Issuer or the Guarantor or any Subsidiary of such holding company shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the holders or for the purposes of Condition 11 and Condition 15.

8.7 Cancellations

All Bonds which are redeemed will forthwith be cancelled, and accordingly may not be held, reissued or resold.

9. TAXATION

9.1 Payment without Withholding

All payments of principal, premium and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law.

Where such withholding or deduction is made by the Issuer or the Guarantor by or within the PRC up to and including the aggregate rate applicable on 26 January 2024 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amount received by Bondholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.

If the Issuer or the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within any Relevant Jurisdiction other than the PRC, the Issuer or, as the case may be, the Guarantor will pay such additional amounts (the "**Additional Tax Amount**") as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction; except that no Additional Tax Amounts shall be payable in relation to any payment in respect of any Bond:

(i) presented for payment by or on behalf of a holder (or to a third party on behalf of a holder) who is liable to the Taxes in respect of the Bond by reason of his having some connection with such Relevant Jurisdiction other than the mere holding of the Bond;

(ii) (in the case of payment of principal, premium or interest (other than interest due on an Interest Payment Date)) if the Certificate in respect of such Bond is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to Additional Tax Amounts on presenting the same for payment on the last day of the period of 30 days assuming (whether or not such is in fact the case) that day to have been a Business Day (as defined in Condition 7); or

(iii) to a Bondholder (or to a third party on behalf of a Holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

Neither the Trustee nor any Agent shall in any event be responsible for paying any Taxes referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such Taxes in any jurisdiction or be responsible to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any Taxes imposed by or in any jurisdiction.

9.2 Interpretation

In these Conditions:

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by an Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Bondholders by the Issuer in accordance with Condition 14; and

"**Relevant Jurisdiction**" means the Cayman Islands, Hong Kong, the PRC or any political subdivision or any authority therein or thereof having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal, premium and interest on the Bonds.

9.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Bonds shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any additional amounts which may be payable under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

10. PRESCRIPTION

Claims in respect of principal, premium (if any) and interest will become prescribed unless made within 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date, as defined in Condition 9.

11. EVENTS OF DEFAULT

11.1 Events of Default

The Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (provided that in either such case, the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the

Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest as provided in the Trust Deed, if any of the following events occurs (the "**Event of Default**"):

(a) *Non-payment:* default is made in the payment of any principal, premium or interest due in respect of the Bonds or any of them and, in the case of interest, the default continues for a period of 14 days; or

(b) *Breach of Other Obligations:* the Issuer or the Guarantor fails to perform or observe any of its other obligations under these Conditions (other than where such non-performance or non-compliance gives rise to a right for redemption pursuant to Condition 8.3 or an event of default pursuant to Condition 11.1(a)), the Trust Deed or the Guarantee and the failure continues for a period of 45 days following the service by the Trustee on the Issuer or the Guarantor (as the case may be) of written notice requiring the same to be remedied; or

(c) *Cross-Acceleration:* (A) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries is declared due and repayable prior to its stated maturity by reason of an event of default or potential event of default (however described); (B) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or, as the case may be, within any originally applicable grace period; or (C) the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries fails to make any payment in respect of any amount payable under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person on the due date for payment; provided that no event described in this subparagraph 11.1(c) shall constitute an Event of Default unless the Indebtedness for Borrowed Money due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money due and unpaid relative to all (if any) other events specified in (A) through (C) inclusive above which have occurred, amounts to at least U.S.$50,000,000 (or the equivalent thereof in any other currency); or

(d) *Winding-up:* any order is made by any competent court or resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Principal Subsidiaries, or the Issuer, the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (A) save in the case of any Principal Subsidiary, for any solvent winding-up, liquidation or dissolution; or (B) for the purposes of any reorganisation, reconstruction, merger or consolidation (x) whereby the business, undertaking and assets of any Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor and/or another Subsidiary of the Issuer or the Guarantor or (y) on terms approved by an Extraordinary Resolution; or (C) pursuant to a disposal of a Principal Subsidiary or any of its assets on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal is vested in the Issuer or the Guarantor and/or any Subsidiary of the Issuer or the Guarantor; or

(e) *Insolvency:* the Issuer, 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 they fall due, stops or threatens to stop payment of all or a material part of, its debts as they fall due, makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally, or is deemed unable to pay its debts as they fall due pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) *Enforcement of Security:* any security, in relation to all or any substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Principal Subsidiaries, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and is not discharged or stayed within 45 days; or

(g) *Enforcement Proceedings:* a distress, execution, attachment, sequestration or other process is levied, enforced upon or put in force against all or any substantial part of the undertaking or assets of the Issuer, the Guarantor or any of the Principal Subsidiaries; and such legal process is not discharged or stayed within 45 days; or

(h) *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 (A) to enable each of the Issuer and the Guarantor to lawfully to enter into, exercise its rights and perform and comply with their respective obligations under these Conditions, the Trust Deed and the Guarantee, (B) to ensure that those obligations are legally binding and enforceable and (C) to make the Bonds, the Trust Deed and the Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) *Illegality:* any one or more of obligations to be performed or complied by the Issuer or the Guarantor under any of the Bonds, the Trust Deed or the Guarantee becomes unlawful; or

(j) *Unenforceability:* the Bonds, the Guarantee or the Trust Deed is or becomes unenforceable or invalid; or

(k) *Analogous Events:* any event occurs which, under the laws of any relevant jurisdiction, has or may have, an analogous effect to any of the events referred to in subparagraphs (d) to (g).

11.2 Interpretation

For the purposes of this Condition:

"**Indebtedness for Borrowed Money**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money (including but not limited to bank loans and other borrowings) or any liability under or in respect of any acceptance or acceptance credit; and

"**Principal Subsidiary**" means any Subsidiary of the Issuer or the Guarantor, as the case may be:

a. whose revenue (consolidated in the case of a Subsidiary which itself has consolidated subsidiaries), net profits (consolidated in the case of a Subsidiary which itself has consolidated subsidiaries) or total assets (consolidated in the case of a Subsidiary which itself has consolidated subsidiaries) represents not less than five per cent. of the consolidated revenue, consolidated net profits or, as the case may be, consolidated total assets of the Issuer or the Guarantor, as the case may be, all as calculated respectively by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Issuer or the Guarantor, as the case may be, provided that:

(1) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer or the Guarantor, as the case may be relate for the purpose of applying each of the foregoing tests, the reference to the latest audited consolidated financial statements of the Issuer or the Guarantor, as the case may be shall be deemed to be a reference to such audited financial statements adjusted as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements;

(2) if at any relevant time in relation to the Issuer or the Guarantor, as the case may be or any Subsidiary no financial statements are prepared and audited, its revenue, net profits and total assets (consolidated, if applicable) shall be determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose by the Issuer or the Guarantor, as the case may be; and

(3) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer or the Guarantor, as the case may be, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Issuer or the Guarantor, as the case may be prepared for this purpose by the Issuer or the Guarantor, as the case may be; or

b. to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (i) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Principal Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above of this definition.

A certificate signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, whether or not addressed to the Trustee, that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall (in the absence of manifest error), be conclusive and binding on all parties.

12. ENFORCEMENT

12.1 The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Guarantee and the Bonds, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Guarantee or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

12.2 The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion 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 action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion 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.

No Bondholder shall be entitled (i) to take any steps or action directly against the Issuer or the Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Guarantee or the Bonds or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any steps or action, fails so to do within a reasonable period and the failure shall be continuing.

13. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer and/or the Registrar or such Transfer Agent may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. NOTICES

Notices to the holders of Bonds shall be mailed at the Issuer's or, as the case may be, the Guarantor's expense 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. The Issuer and the Guarantor shall also ensure that notices are duly published at the Issuer's or, as the case may be, the Guarantor's expense in a manner that complies with the rules and regulations of any stock exchange on which the Bonds are for the time being listed or other relevant authority. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15. [RESERVED]

16. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

16.1 Meetings of Bondholders

The Trust Deed contains provisions for convening meetings (including by way of teleconference or videoconference call) of the Bondholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Guarantee. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Bonds held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of any Reserved Matter (as defined in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one third, of the principal amount of the Bonds for the time being outstanding.

The Trust Deed provides that a resolution passed (i) at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution. An Extraordinary Resolution will be binding on all Bondholders, whether or not they are present and whether or not they voted at the meeting at which such resolution was passed. 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 Bondholders.

16.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Bondholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, the Guarantee, the Agency Agreement or the Bonds, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven.

16.3 Trustee to have Regard to Interests of Bondholders as a Class

In connection with the exercise of its functions, rights, powers, authorities and/or discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the interests of the Bondholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Bondholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 9 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 9 pursuant to the Trust Deed.

16.4 Notification of the Bondholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Bondholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer, failing whom, the Guarantor, to the Bondholders as soon as practicable thereafter in accordance with Condition 14.

17. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

17.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

17.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor, and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor and/or any of the Guarantor's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Bondholders on any report, confirmation, certificate or opinion or any advice of any accountants, lawyers, financial advisers, financial institutions or any other expert, whether or not obtained by or addressed to it 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 may accept and shall be entitled to rely on any such report, confirmation, certificate or advice and, if it does so, such report, confirmation, certificate or advice shall be binding on the Issuer, the Trustee and the Bondholders.

18. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further notes or bonds (whether in bearer or registered form) either (i) ranking *pari passu* in all respects (or in all respects save for their issue date and the first payment of interest thereon and the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that the same shall be consolidated and form a single series with the outstanding bonds or securities of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed or (ii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further bonds or securities which are to form a single series with the outstanding bonds or securities of any series (including the Bonds) constituted by the Trust Deed or any supplemental deed shall, and any other further bonds or securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds or securities of other series in certain circumstances where the Trustee so decides.

19. CURRENCY INDEMNITY

U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer or, as the case may be, the Guarantor under or in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement, including damages. Any amount received or recovered in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor will only constitute a discharge to the Issuer or the Guarantor to the extent of the U.S. dollar amount which 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 that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Guarantee, the Trust Deed or the Agency Agreement, the Issuer and the Guarantor will indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer and the Guarantor will indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder or the Trustee, 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 and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Bondholder and will continue 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 Bond the Trust Deed, the Agency Agreement or any other judgment or order.

20. GOVERNING LAW AND JURISDICTION

20.1 Governing Law

The Trust Deed, the Agency Agreement, the Guarantee and the Bonds and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

20.2 Jurisdiction

(a) The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy that may arise out of, in relation to or in connection with the Trust Deed, the Agency Agreement or the Bonds, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement or the Bonds (the "**Proceedings**") may be brought in such courts.

(b) Each of the Issuer, the Guarantor, the Trustee, the Agents and any Bondholder irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

20.3 Service of Process

The Guarantor irrevocably appoints the Issuer as its authorised agent for service of process in Hong Kong. If for any reason the Issuer shall cease to be such agent for service of process, the Guarantor shall forthwith appoint a new agent for service of process in Hong Kong and deliver to the Trustee a copy of the new agent's acceptance of that appointment within seven days of the Issuer ceasing to be such agent for service of process. The Guarantor agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in this clause shall affect the right to serve process in any other manner permitted by law.

20.4 Sovereign Immunity

To the fullest extent permitted by law, each of the Issuer and the Guarantor irrevocably and unconditionally:

(a) submits to the jurisdiction of the Hong Kong courts in relation to any Dispute and waives and agree not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf; and

(b) submits to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:

   (i) relief by way of interim or final injunction or order for specific performance or recovery of any property;

   (ii) attachment of its assets; and

   (iii) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use); and

(d) waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

21. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Bond, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the "**Conditions**" or the "**Terms and Conditions**") set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Conditions.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if (a) an Event of Default has occurred and is continuing; (b) either Euroclear or Clearstream or any other clearing system (an "**Alternative 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 and no successor clearing system is available, **provided that** the holder of the Bonds represented by the Global Certificate has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such transfer. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds; or (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds evidence by the Global Certificate in definitive form. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the date of payments, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

So long as the Bonds are evidenced by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer, subject to and in accordance with the Conditions and the Trust Deed, has promised to pay to the registered holder hereof on the Interest Payment Date (as defined in the Conditions) falling on, or nearest to, 2 February 2027 and/or on such earlier date(s) as all or any of the Bonds represented by this Global Certificate may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Bonds on each such date and to pay interest on the principal amount of the Bonds outstanding from time to time represented by this Global Certificate calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

Accountholders

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of Euroclear and/or Clearstream as entitled to a particular principal amount of the Bonds represented by the Global Certificate (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Bonds for all purposes other than with respect to payments of principal, premium (if any) and interest on the Bonds for which purpose the registered holder of the Global Certificate shall be deemed to be the holder of such principal amount of the Bonds in accordance with and subject to the terms of the Global Certificate and the Trust Deed.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication to the relative accountholders. Any such notice shall be deemed validly given to the Bondholders on the day on which such notice is delivered to Euroclear and/or Clearstream (as the case may be) as aforesaid.

Bondholder's Redemption

For so long as all of the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, the Bondholders' redemption option in Condition 8.3 may be exercised by the holder of the Bonds giving notice to any Agent in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instructions by Euroclear or Clearstream or any common depository for them or the Relevant Nominee to any Agent by electronic means) of the principal amount of the Bonds in respect of which the option is exercised and presenting or procuring the presentation of the Global Certificate to such Agent for endorsement within the time limits specified in the Conditions.

Transfers

Transfers of book-entry interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

CAPITALISATION AND INDEBTEDNESS

The following tables set forth the capitalisation and indebtedness of the Group and the Issuer Group as at 31 December 2022 and as adjusted to give effect to the issuance of the Bonds offered hereby.

THE GROUP

Investors should read this table in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2022, and related notes included in the Offering Circular.

	As at 31 December 2022			
	Actual		As adjusted	
	(RMB'000)	*(U.S.$'000)*[(1)]	*(RMB'000)*	*(U.S.$'000)*[(1)]
Short-term loans	894,080	129,629	894,080	129,629
Short-term financing payables	4,741,201	687,410	4,741,201	687,410
Placements from banks and other financial institutions	2,964,718	429,844	2,964,718	429,844
Financial assets sold under repurchase agreements	30,106,891	4,365,089	30,106,891	4,365,089
Debentures payable	52,355,769	7,590,873	52,355,769	7,590,873
Bonds to be issued[(2)]	–	–	2,069,160	300,000
Total indebtedness	**91,062,659**	**13,202,844**	**93,131,819**	**13,502,845**
Share capital	8,635,987	1,252,100	8,635,987	1,252,100
Capital reserve	22,472,127	3,258,152	22,472,127	3,258,152
Other comprehensive income	227,499	32,984	227,499	32,984
Surplus reserve	2,509,897	363,901	2,509,897	363,901
General risk reserve	6,665,191	966,362	6,665,191	966,362
Retained earnings	11,754,034	1,704,175	11,754,034	1,704,175
Non-controlling interests	4,572,731	662,984	4,572,731	662,984
Total shareholder's equity	**56,837,467**	**8,240,658**	**56,837,467**	**8,240,658**
Total capitalisation[(3)]	**147,900,126**	**21,443,503**	**149,969,286**	**21,743,503**

Notes:

(1) These amounts have been translated from Renminbi into U.S. dollars for convenience purposes at a rate of RMB6.8972 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of on 30 December 2022.

(2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds.

(3) Total capitalisation represents the sum of "Total indebtedness" and "Total shareholders' equity".

Since 31 December 2022, the Group has entered into the following material financing arrangements which are not reflected in the table above:

- On 17 February 2023, a domestic issuance of RMB3,000.0 million 2.95 per cent. corporate bonds (Phase I) by the Guarantor with a term of two years.
- On 7 April 2023, a domestic issuance of RMB3,000.0 million 3.06 per cent. corporate bonds (Phase II) by the Guarantor with a term of three years.
- On 17 May 2023, a domestic issuance of RMB2,700.0 million 2.98 per cent. corporate bonds (Phase III) by the Guarantor with a term of three years.
- On 17 May 2023, a domestic issuance of RMB800.0 million 3.18 per cent. corporate bonds (Phase III) by the Guarantor with a term of five years.

- On 20 June 2023, a domestic issuance of RMB3,000.0 million 2.26 per cent. short term corporate bonds (Phase I) by the Guarantor with a term of 120 days. The bonds were redeemed at its maturity.
- On 20 July 2023, a domestic issuance of RMB3,000.0 million 2.77 per cent. corporate bonds (Phase IV) by the Guarantor with a term of three years.
- On 20 July 2023, a domestic issuance of RMB2,000.0 million 3.15 per cent. corporate bonds (Phase IV) by the Guarantor with a term of five years.
- On 11 August 2023, a private placement of RMB1,000.0 million 2.78 per cent. corporate bonds (Phase I) by the Guarantor with a term of two years.
- On 11 August 2023, a private placement of RMB2,500.0 million 2.91 per cent. corporate bonds (Phase I) by the Guarantor with a term of three years.
- On 12 October 2023, a private placement of RMB1,000.0 million 2.90 per cent. corporate bonds (Phase II) by the Guarantor with a term of two years.
- On 12 October 2023, a private placement of RMB3,000.0 million 3.00 per cent. corporate bonds (Phase II) by the Guarantor with a term of three years.
- On 18 October 2023, a domestic issuance of RMB3,100.0 million 3.35 per cent. subordinated bonds (Phase I) by the Guarantor with a term of three years.
- On 18 October 2023, a domestic issuance of RMB900.0 million 3.50 per cent. subordinated bonds (Phase I) by the Guarantor with a term of five years.
- On 9 November 2023, a domestic issuance of RMB1,000.0 million 3.23 per cent. subordinated bonds (Phase II) by the Guarantor with a term of three years.
- On 17 November 2023, a domestic issuance of RMB3,000.0 million 3.49 per cent. perpetual bonds (Phase I) by the Guarantor with a term of more than 5 years.

Other than the material financing agreements listed above, there has been no material change in the Group's consolidated total capitalisation and total indebtedness since 31 December 2022.

THE ISSUER GROUP

Investors should read this table in conjunction with the Issuer Group's audited consolidated financial statements as at and for the year ended 31 December 2022, and related notes included in the Offering Circular.

Investors should read this table in conjunction with the Issuer Group's audited consolidated financial statements as at and for the year ended 31 December 2022, and related notes included in the Offering Circular.

	As at 31 December 2022			
	Actual		**As adjusted**	
	(HK$'000)	*(U.S.$'000)*[(1)]	*(HK$'000)*	*(U.S.$'000)*[(1)]
Current indebtedness				
Bank borrowings	1,000,907	128,297	1,000,907	128,297
Total current indebtedness	**1,000,907**	**128,297**	**1,000,907**	**128,297**
Non-current indebtedness				
Bonds	2,079,992	266,614	2,079,992	266,614
Bonds to be issued[(2)]	–	–	2,340,450	300,000
Total non-current indebtedness	**2,079,992**	**266,614**	**4,420,442**	**566,614**
Total indebtedness[(3)]	**3,080,899**	**394,911**	**5,421,349**	**694,911**
Total equity	**3,994,878**	**512,065**	**3,994,878**	**512,065**
Total capitalisation[(4)]	**7,075,777**	**906,976**	**9,416,227**	**1,206,976**

Notes:

(1) These amounts have been translated into Hong Kong dollars for convenience purposes at a rate of HK$7.8015 to U.S.$1.00, based on the noon buying rate as set forth in the H.10 statistical release of on 30 December 2022.

(2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds.

(3) Total indebtedness represents the sum of "Total current indebtedness" and "Total non-current indebtedness".

(4) Total capitalisation represents the sum of "Total indebtedness" and "Total equity".

Since 31 December 2022, the Issuer Group has entered into the following material financing arrangements which are not reflected in the table above:

- On 25 April 2023, the Issuer entered into a US$50.0 million facility agreement.
- On 11 May 2023, the Issuer entered into a US$20.0 million facility agreement.
- On 17 May 2023, the Issuer entered into a HK$500.0 million facility agreement.
- On 23 May 2023, the Issuer entered into a HK$300.0 million facility agreement.
- On 13 June 2023, the Issuer entered into a US$30.0 million facility agreement.
- On 28 June 2023, the Issuer entered into a HK$100.0 million facility agreement.
- On 7 August 2023, the Issuer Group established the Euro-Commercial Paper Programme under which it may offer and issue notes in tranches of an aggregate principal amount of up to HK$5,000.0 million (or its equivalent in other currencies) to professional investors.
- On 30 October 2023, the Issuer entered into a US$50.0 million facility agreement.
- On 16 November 2023, the Issuer entered into a US$35.0 million facility agreement.
- On 29 November 2023, the Issuer and CISI Brokerage collectively entered into a HK$700.0 million facility agreement.
- On 29 November 2023, CISI Brokerage entered into a HK$200.0 million facility agreement.

Other than the material financing agreements listed above, there has been no material change in the Issuer Group's consolidated total capitalisation and total indebtedness since 31 December 2022.

DESCRIPTION OF THE GROUP

GROUP OVERVIEW

The Group is a full-service securities group based in mainland China with integrated service offerings comprising wealth management business, institutional service business, proprietary investment business and overseas business. The Guarantor was incorporated under the laws of the PRC on 19 May 2000 with limited liability with its principal place of business at 268 Hudong Road, Industrial Securities Building, Fuzhou City, Fujian Province. The Group operates its business mainly through the Guarantor, which was listed on the Shanghai Stock Exchange in 2010 (stock code: 601377).

The predecessor of the Guarantor was Fujian Industrial Securities Company, which was established as the Securities Business Department by Fujian Industrial Bank in October 1991 and then decoupled from Fujian Industrial Bank by capital increase and share expansion in 1999. As at 30 June 2023, the controlling shareholder and actual controller of the Guarantor is Fujian Provincial Department of Finance. With over 30 years of operating history, "興證" is a widely recognised brand in the PRC. The Group has been able to effectively establish a nationwide market presence, reinforce client confidence in its services and grow its client base, as well as to provide the Issuer Group with high-quality management resources to establish a strong presence in Hong Kong since commencement of the Issuer Group's business in 2012. Benefiting from both the brand reputation of "興證" and other core competitive strengths, the Group has been actively seeking growth opportunities through expanding its client sources, innovating products and services to align with the diversifying needs of its clients and optimising its business structure in response to changing economic cycles and global financial markets development trends. Facing the volatile market environment and intense industry competition, the Group will seek to enhance its competitiveness, upgrade its professional capabilities and strengthen its risk management to achieve continuous development. The Group will continue to develop new clients and deliver new products and professional services that create value for new and potential clients in mainland China, Hong Kong and across the globe.

Principal business lines of the Group are:

- ***Wealth management business***: the Group's wealth management business includes securities and futures brokerage business and asset management business. The securities and futures brokerage business provides customers with targeted integrated financial service solutions such as securities and futures brokerage, product sales, margin trading, stock pledge repurchase, investment consulting, etc. through a combination of offline and online methods. The asset management business includes providing clients with various securities asset management services, fund asset management services and private equity investment fund management services.

- ***Institutional service business***: the Group's institutional service business includes research and institutional sales business and investment banking business. Research and institutional sales services include the provision of securities research and sales transaction services, brokerage transaction settlement services, asset custody and outsourcing services for various institutional clients. Investment banking business provides corporate and government clients with one-stop direct financing services such as stock financing, bond financing, merger financing, new third board and structured financing, asset securitisation, financial advisory, and regional equity market services.

- ***Proprietary investment business***: the Group's proprietary investment business includes multiple types of proprietary investment, trading and market-making services such as stocks, bonds, derivatives, equity and alternative investments made under the principals of value investing and stable operation.

- ***Overseas business***: the Group's overseas business includes global securities and futures brokerage, institutional sales and trading, corporate financing, fixed income, investment and financing services such as asset management and private wealth management, which is mainly conducted through the Guarantor's wholly-owned subsidiary Industrial Securities (Hong Kong) Financial Holdings Co., Ltd. and the Issuer Group.

Set forth below is an overview of the major subsidiaries and affiliates of the Guarantor:

- AEGON-INDUSTRIAL Fund Management Co., Ltd. (興證全球基金管理有限公司)(formerly known as Xingquan Fund Management Co., Ltd. 興全基金管理有限公司) was incorporated under the laws of the PRC in September 2003 with limited liability and with a registered capital of RMB150 million. Its business scope includes fund raising, fund sales, asset management, specific customer asset management and other businesses licensed by the CSRC. The Guarantor holds 51 per cent. of the equity of this subsidiary as at the date of this Offering Circular.

- Industrial Assets Management Co., Ltd. (興證證券資產管理有限公司) was incorporated under the laws of the PRC in June 2014 with a registered capital of RMB800 million. Its scope of business is securities asset management. It is a wholly-owned subsidiary of the Guarantor as at the date of this Offering Circular.

- China Industrial Securities Futures Co., Ltd. (興證期貨有限公司) was incorporated under the laws of the PRC in December 1995 with limited liability and with a registered capital of RMB1.6 billion. Its business scope includes commodity futures brokerage, financial futures brokerage, fund sales and asset management. The Guarantor holds 99.55 per cent. of the equity of this subsidiary as at the date of this Offering Circular.

- Industrial Securities (Hong Kong) Financial Holdings Limited (興證(香港)金融控股有限公司) was incorporated under the laws of Hong Kong in July 2011 with a registered capital of HK$3 billion. It engages in securities business indirectly through its controlled subsidiaries, which include the Issuer. The business scope of its subsidiaries includes securities trading, futures contract trading, advising on securities, futures contracts and institutional financing, securities margin financing and asset management. It is a wholly-owned subsidiary of the Guarantor as at the date of this Offering Circular.

- Industrial Capital Management Co., Ltd. (興證創新資本管理有限公司) was incorporated under the laws of the PRC in April 2010 with a registered capital of RMB700 million. Its business scope is private equity investment fund business. It is a wholly-owned subsidiary of the Guarantor as at the date of this Offering Circular.

- Industrial Securities Investment Management Co., Ltd. (興證投資管理有限公司) was incorporated under the laws of the PRC in March 2015 with a registered capital of RMB9 billion. Its scope of business includes financial product investment, equity investment, project investment and other investment products recognised by the regulatory authorities, and investment management. It is a wholly-owned subsidiary of the Guarantor as at the date of this Offering Circular.

- Fuzhou Industrial Securities Property Management Co., Ltd. (福州興證物業管理有限公司) was incorporated under the laws of the PRC in November 2009 with a registered capital of RMB500,000. Its business scope consists primarily of property management services. It is a wholly-owned subsidiary of the Guarantor as at the date of this Offering Circular.

- Haixia Equity Exchange (Fujian) Co., Ltd. (海峽股權交易中心(福建)有限公司) was incorporated under the laws of the PRC in October 2011 with a registered capital of RMB210 million. Its business scope consists primarily of facilitating securities trading in the regional equity trading market through the over-the-counter market. The Guarantor holds 45.25 per cent. of the equity of this affiliate as at the date of this Offering Circular.

- China Southern Asset Management Co., Ltd.（南方基金管理股份有限公司）was incorporated under the laws of the PRC with a registered capital of RMB362 million in January 2018. Its business scope includes fund raising, fund sales, asset management and other businesses permitted by the CSRC. The Guarantor holds 9.15 per cent. of the equity of this affiliate as at the date of this Offering Circular.

Core competitive strength of the Group lies in its strong service capability that fulfils the varying investment and financing needs of its clients. In addition to the offerings of the Issuer in the Hong Kong and global markets, operating subsidiaries of the Group are licensed to conduct various regulated activities under PRC laws, including securities brokerage business, securities investment consulting, financial advisory related to securities trading and securities investment activities, securities underwriting and sponsorship, securities proprietary business, securities asset management business, securities investment fund agency and intermediate introductory services for futures companies, among others. A diversified business portfolio allows the Group to create synergies between its business lines, generate cross-selling opportunities and provide integrated financial services to clients.

The fast-growing business of the Group is underpinned by its professional and seasoned workforce. Executive and non-executive directors of the Group have an average of more than 10 years of experience in the financial services industry and the senior management members of the Group have served renowned financial institutions in the PRC, Hong Kong and/or overseas. The strong and experienced management team of the Group allows it to keep abreast of the latest developments in the capital market and financial services industry, formulate sound business strategies and respond timely to changing market conditions to capture growth opportunities.

The Group began its business in 2000 and has experienced sustainable growth since then. In 2022, under the impact of a volatile global capital market and heightened risks of economic downturn, the total revenue of the Group decreased from RMB18,972.2 million for the year ended 31 December 2021 to RMB10,659.6 million for the year ended 31 December 2022, representing a year-on-year decrease of 43.8 per cent. Commission and fee income from the securities and futures brokerage business and asset management business and revenue from institutional service business, proprietary investment business and overseas business constitute the main sources of revenue for the Group. Revenue from the Group's business lines is summarised below.

- ***Wealth management business***

Revenue from the Group's securities and futures brokerage business within its wealth management business line amounted to RMB3,189.5 million, RMB4,180.1 million and RMB3,791.8 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 18.1 per cent., 22.0 percent. and 35.6 per cent. of the Group's total revenue for the same periods, respectively.

Revenue from the Group's asset management business within its wealth management business line amounted to RMB3,955.9 million, RMB5,316.7 million and RMB3,389.4 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 22.5 per cent., 28.0 per cent. and 31.8 per cent. of its total revenue for the same periods, respectively.

- ***Institutional service business***

Revenue from the Group's institutional service business amounted to RMB6,161.2 million, RMB5,737.7 million and RMB2,603.5 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 35.0 per cent., 30.2 per cent. and 24.4 per cent. of its total revenue during the same periods, respectively.

- ***Proprietary investment business***

Revenue from the Group's proprietary investment business amounted to RMB4,383.0 million, RMB3,419.5 million and RMB846.3 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 24.9 per cent., 18.0 per cent. and 7.9 per cent. of its total revenue during the same periods, respectively.

- ***Overseas business***

Revenue from the Group's overseas business amounted to RMB163.9 million, RMB388.6 million and RMB85.9 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 0.9 per cent., 2.0 per cent. and 0.8 per cent. of its total revenue for the same periods, respectively.

GROUP COMPETITIVE STRENGTHS

The Group believes that the following strengths distinguish it from its competitors:

The Group's strong market position supports its goal of becoming a "top ten" securities firm in China

Since establishment, the Group has steadily grown its businesses and in recent years has consistently ranked among the top 20 securities firms in China in terms of total assets, net assets, net capital, operating income and net profit according to data published by the Securities Association of China. For the year ended 31 December 2022, the Group ranked 14th in total assets, 14th in net assets, 13th in operating income and 11th in net profit. The Group believes it can further strengthen its market position to become one of the top ten financial securities companies in China.

The Group's emphasis on integrated systems has further strengthened the Group's management capabilities

The Group has installed and implemented information and monitoring systems that integrate the flow of information between and among the Group's various businesses, subsidiaries and branches. The Group has also consolidated various basic rules and systems of management to ensure the coordination and connection of the Group and its subsidiaries for the implementation of the systematic development philosophy on the institutional level. This systematic development philosophy allows for the seamless transfer of information and strengthens the ability of managers and headquarters in particular to supervise the Group's business and monitor performance. Centralised and vertical implementation of information technology systems will continue to be one of the Group's strengths and areas of emphasis going forward.

The Group's synergy advantages have supported continuous improvement of its comprehensive financial service capabilities

In line with industry trends and the Group's own emphasis on the integration of customer needs, the Group continues to promote the in-depth development of the Group's internal synergy. The Group has refined its internal mechanisms and systems for coordination among business lines. These refinements include improvements to the Group's customer management system and to the systematic use of data-driven analysis and market intelligence to support collaborative work among employees. The Group's collaborative culture has become ingrained in the working style of the Group's employees which has contributed to the Group's growth. This internal synergy enhances the Group's financial service capabilities and is a powerful tool for building a first-class securities financial group.

The Group's investment banking business achieved counter-cyclical growth during volatile market conditions

Despite the downward pressure faced by both domestic and global capital markets, the Group's investment banking business has continued to make gains by assisting corporate clients to raise capital which they will use to contribute to the growth of the real economy. The Group earnestly fulfils its responsibilities as a gatekeeper to the PRC capital markets, and continues to improve its project contracting capabilities, pricing research capabilities, and sales and transaction capabilities. In 2022, the Group completed 18 underwriting projects and 10 refinancing projects, with an aggregate underwriting amount of RMB27.7 billion and RMB22.3 billion, respectively, ranking 11th and 7th in the PRC, respectively. The Group continued to strengthen its innovation capabilities. The Group's mixed-ownership reform project of state-owned enterprises won the "Top Ten Financial Innovation Projects" in Fujian Province in 2021. The Group completed the first locked-price private placement project on the Shanghai Stock Exchange STAR Market, the largest convertible bond issuance in the A-share market at the time and implemented multiple green equity financing projects. In 2022, the Group completed six projects recommended for listing on the National Equities Exchange And Quotations Exchange and supervised 150 companies as at 31 December 2022, including 51 innovative enterprises, ranking 6th in the PRC. The excellent quality of service of the Group's investment banking business earned it the "Best Local Investment Bank", "Fastest Progressing Investment Bank", "Best ESG Investment Bank", "Best Refinancing Project" and "Most Creative Project" in the 2022 New Fortune Best Investment Banks selection, one of the most comprehensive and recognised investment banking contests in the PRC.

The transformation of the Group's wealth management business has achieved results and enhanced the Group's brand

With increasingly fierce competition in China's securities industry accelerated by the rapid development of Internet banking, China's traditional securities brokerage businesses are expected to gradually transform their business models into a comprehensive income model centred on wealth management services offering a diverse range of financial products. The Group believes it is among the leaders in this transformation because of its high-quality positioning, continuous enrichment of its product matrix, improvements to its customer service system and classification of customers, all of which are strengthening the quality of the Group's investment advisory services. The number of the Group's brokerage business clients continues to increase and the Group continues to maintain industry leadership in the financial products brokerage business. The Group's leadership and brand recognition in brokerage has benefitted the expansion of its wealth management ecosystem, which in turn has created reciprocal benefits to its brokerage business. In particular, the Group's industry-leading investment management capabilities demonstrated by selection on multiple occasions as a "Golden Bull Fund Company" by the Securities Times has driven a positive growth cycle wherein corporate customers are able to take advantage of the public offerings of investee companies to increase their financial returns.

The Group's branch expansion plan has resulted in the achievement of nationwide coverage

As at 30 June 2023, the Group had established 114 branches and 169 business outlets across the PRC, forming a branch network layout with the provinces and core economic regions as the centre of gravity and covering the whole country. Branch offices and business outlets serve as the regional base and execution platform for various Group businesses. The Group has continued to improve the organisational structure of its branches and comprehensively strengthened the talent of the employees who work in branches, thus strengthening regional competitiveness.

The Group's investment research capabilities remain a key strength which supports the effectiveness of its services

The Group is widely recognised by institutional investors for the quality of its investment research capabilities. The Group continues to build the depth and breadth of its investment research talent and systems so as to remain at the forefront of the industry. The Group's income from brokerage commissions paid by funds, which the Group believes is an indicator of its research capabilities, was among the leaders in the industry and its market share continues to increase. The Group is also taking advantage of its research advantages to create internal synergy which is expected to yield economic benefits. To accomplish such transformation, the Group is expanding its research capabilities from seller-centric research to comprehensive research which will provide high-level intellectual support, systematic and full-industry professional research for the Group's business development and strategic transformation.

The Group benefits from its outstanding investment management capabilities and stable investment performance

The Group focuses on building first-class investment management capabilities through the establishment of long-term mechanisms that emphasise recruiting, training and retaining talent and implementing risk control measures as keys to successful prudent value-focused proprietary investing. Combined with strong market research informing its management's decisions, the Group's return on investment has been stable.

The Group's compliance and risk control system operates effectively and actively prevents and resolves risks

The Group's risk management philosophy is based on the concept of "sound operations for long-term development". The Group strictly enforces a prudent risk appetite and promotes the implementation of a unified Group-wide approach to risk. The vertical penetration of compliance risk control management systems such as a risk management indicator system and authorisation management system provides risk control management full coverage throughout the Group. The Group's unified risk appetite and risk limits have been substantively implemented, and the Group's management continues to emphasise daily compliance within the Group's various businesses through regulatory training, compliance checks, the implementation of anti-money laundering controls and employee practice management.

The Group benefits from a talented workforce

The Group understands the importance of recruiting, developing and retaining talented employees and managers and works to actively create the conditions necessary to attract and retain talent. The operation and management team has a deep understanding of the securities industry and the importance of a high-quality workforce and has established a performance and ability-oriented employment mechanism that allows for lateral and vertical advancement. The Group boldly supports the advancement of younger employees so as to fully mobilise and stimulate the initiative, enthusiasm and creativity of its employees and to create an inspiring corporate culture. The level of talent throughout the Group assures the high-quality development of the Group's various businesses.

GROUP BUSINESS STRATEGIES

The Group intends to focus on the following strategies:

Further strengthen market position to support achieving goal of becoming one of the top ten financial securities companies in China

The Group intends to further strengthen its market position in order to achieve its strategic goal of building a first-class securities financial group which is among the top ten in China as measured by revenue and other key industry metrics. Recent and planned regulatory changes in the securities industry in China provide significant development opportunities for the Group to reach its "top ten" goal. The regulatory authorities are gradually promoting profound changes in the basic system as indicated by a series of new securities laws and regulations. At the same time, policies related to major asset mergers and acquisitions, optimisation and relaxation of the refinancing system, and the reform of the National Equities Exchange and Quotations (also known as the "**New Third Board**") have been implemented successively. The overall regulatory climate will remain strict, and coupled with the market turbulence brought about by rising interest rates in major economies, securities companies such as the Group are bound to face more complex market competition. Within this challenging environment, the Group believes it can reach its "top ten" goal by emphasising strong capital strength, first-class competitiveness and profitability, scientific systems and mechanisms, first-class talents, an inspirational corporate culture, strong international competitiveness and first-class risk management capabilities.

Continue to emphasise wealth management and institutional businesses as the two primary drivers of the Group's growth

In order to achieve its strategic objectives, the Group intends to emphasise the following:

- Focus on institutional clients by accelerating the sophistication and comprehensiveness of services provided to them.
- Continue to promote retail brokerage while deepening the transformation of the Group's business to wealth management.
- Based on actual business results, effectively promote the comprehensive empowerment of financial technology to the Group's business development and operation management.
- Continue to reinforce stable operations as the underlying bottom-line for all actions, and continue to improve data-driven, science-supported compliance and risk management.
- Establish management performance as the primary driver for actively building comprehensive management capabilities that meet the needs of the company's transformation and development.
- Strive for excellence as the goal, and comprehensively strengthen the Group's discipline inspection work carried out by the Chinese Communist Party and corporate culture construction.

Continue to grow the Group's overseas business by emphasising the Issuer as the Group's main overseas platform

The Group has prudently grown the share of its revenue from outside Mainland China by supporting the businesses of the Issuer Group. Among the Issuer Group's businesses, the brokerage business in particular has shown steady growth. As at 30 June 2023, the Issuer Group's market value of shares in Hong Kong Securities Clearing House ranked 11th among Chinese securities firms. The Issuer will continue to focus its work on corporate financing and bond underwriting business, institutional sales business, wealth management business, asset management business and research business to achieve endogenous business growth and high-quality development, thereby increasing the proportion of revenue from fee-based businesses.

GROUP RECENT DEVELOPMENTS

On 16 January 2024, the Group announced that its board of directors has nominated Mr. DONG Ximiao to serve as an independent director of the Guarantor and submitted the nomination to the shareholders' meeting for consideration. Upon approval, Mr. DONG Ximiao will succeed Mr. WU Shinong as an independent director of the Guarantor and will assume customary responsibilities of the position. In addition, the Group announced that Ms. LIN Hongzhen will be stepping down from her positions as a director and chief risk officer of the Guarantor due to personal reasons. The board of directors has nominated Mr. XU Qingchun to succeed as a director of the Guarantor and submitted the nomination to the shareholders' meeting for consideration. Furthermore, the board of directors has nominated Mr. CAI Junzheng to succeed Ms. Lin Hongzhen as the chief risk officer of the Guarantor. For more details, please see "*DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR*".

On 28 October 2023, the Group published its interim financial report for the nine months ended 30 September 2023 (the "**Group Interim Financial Information**"). The Group Interim Financial Information is not audited or reviewed, may differ from future audited or reviewed information, is not included in and does not form part of this Offering Circular and is not incorporated, directly or indirectly, in any form or manner, into this Offering Circular. Investors should therefore not rely on the Group Interim Financial Information in making their investment decision.

For the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022, the Group's operating revenue and net profit decreased due to a complex and volatile global environment, which has negatively affected domestic securities market indices and trading activities. As a result, there was a reduction in the scale of fund issuance and a decline in management fees, causing a decrease in net fee and commission income. For the nine months ended 30 September 2023 as compared to the nine months ended 30 September 2022, the Group's operating expenses increased mainly due to the increase in business and management fees and other business costs.

GROUP HISTORY AND DEVELOPMENT

The Guarantor was incorporated in the PRC with limited liability on 19 May 2000. The predecessor of the Guarantor was Fujian Industrial Securities Company, which was established as the Securities Business Department by Fujian Industrial Bank in October 1991 and then decoupled from Fujian Industrial Bank by capital increase and share expansion in 1999. As at 30 June 2023, the controlling shareholder and actual controller of the Guarantor is Fujian Provincial Department of Finance.

The following table sets out the landmark events during the Group's development:

2000	On 15 March 2000, with the approval of the CSRC, Fujian Industrial Securities Co., Ltd. officially changed its name to China Industrial Securities Co., Ltd. and was approved to become a comprehensive securities company with a registered capital of RMB908 million.
2007	On 28 September 2007, the Guarantor was approved by the CSRC to increase its registered capital to RMB1.49 billion.
2010	The Guarantor was listed on the Shanghai Stock Exchange on 13 October 2010 (stock code: 601377).
2013	On 12 March 2013, with the approval of the CSRC, the Guarantor issued RMB400 million ordinary shares through a non-public offering of shares, and the registered capital of the Guarantor was increased to RMB2.6 billion.
2014	On 5 September 2014, the Guarantor issued 2.6 billion shares and increased its registered capital to RMB5.2 billion.
2016	On 5 January 2016, the Guarantor placed 1,496,671,674 ordinary shares to all original shareholders, and the registered capital was increased to RMB6,696,671,674. In 2016, the Guarantor implemented a share repurchase plan totalling 68,000,243 shares. The repurchased shares were used as the source of shares for the implementation of the employee stock ownership plan.
2017	The election of the board of directors, the board of supervisors and senior management of the Guarantor was successfully completed in November 2017.

2018	The Guarantor consecutively won the title of Top 100 Enterprises in Fujian Province in 2018, and the Guarantor's affiliated securities company was rated as Category A and Class A.
2019	The Guarantor's wholly-owned subsidiary, the Issuer, was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6058).
2020	The Guarantor obtained approval to establish 16 branches in the PRC from Fujian Securities Regulatory Bureau on 22 January 2020.
2021	The Guarantor changed its name to Industrial Securities Co., Ltd.
2023	In January 2023, the registered capital of the Guarantor was increased to RMB8.6 billion.
2024	The Guarantor committed to an additional capital investment of HK$1 billion into its wholly-owned subsidiary, Industrial Securities (Hong Kong) Financial Holdings Limited, with its own funds.

Awards and Recognitions

Set forth below is a summary of the key honours and awards the Group received in recent years:

2022 . . . .

Awarded "Golden Bull Growth Securities Company" and "Golden Bull Award for Culture Construction of Securities Company" by China Securities Journal

Awarded "China Securities Industry Wealth Services Junding Award" by Securities Times

Awarded "Outstanding Institution for Corporate Debt Underwriting" by China Central Depository & Clearing Co., Ltd.

Awarded "Excellent Corporate Bond Underwriter" and "Excellent Information Disclosure Supervision Agency Award" by Shanghai Stock Exchange

Awarded No. 2 among the Top Five Golden Bull Research Institutions by China Securities Journal

Awarded "Excellent Investor Suitability Management Agency" by Shenzhen Stock Exchange

Awarded "Hong Kong Stock Connect Outstanding Brokerage in Investor Education" by Hong Kong Stock Exchange

Awarded No.4 in "Best Local Research Team" by New Fortune, a well-known financial magazine in the PRC

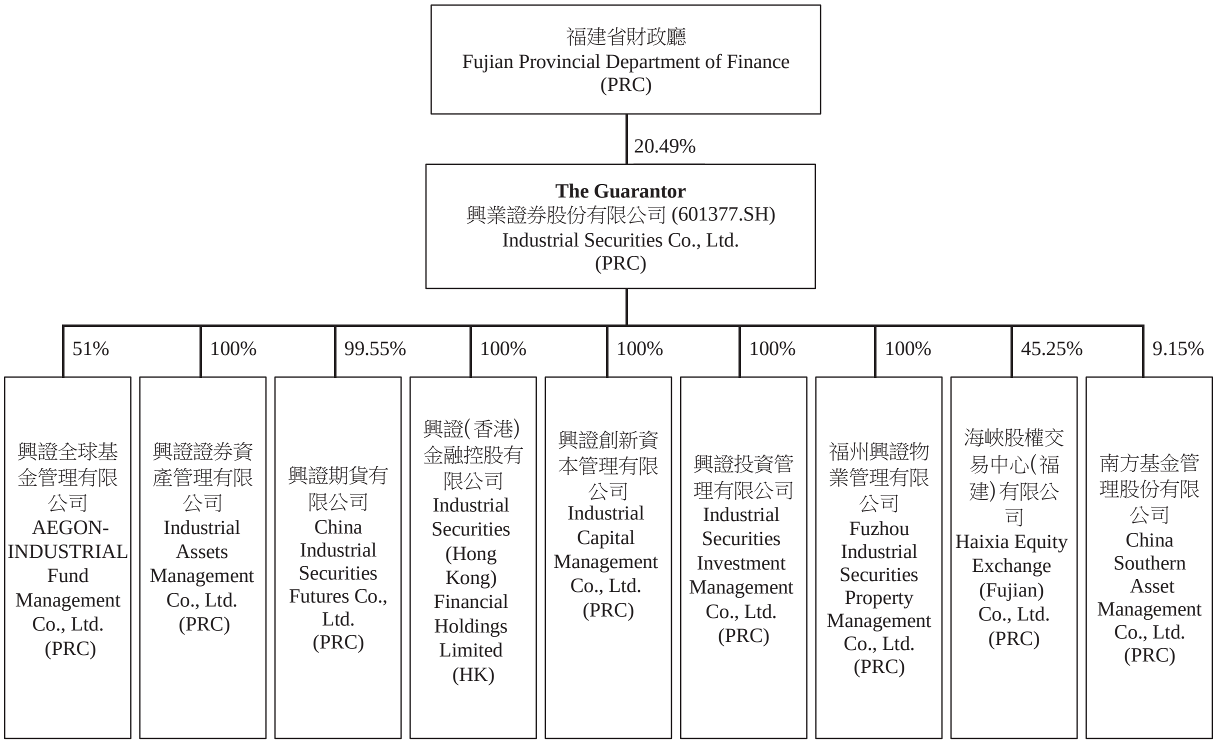
Awarded "Best Private Equity Custody Broker" at the 2022 China Private Equity Yinghua Awards

2021	Awarded No.3 in "Best Local Research Team", No.5 in "Most Influential Research Institutions", No. 1 in "Best Investment Consultant" and No. 1 in "Best Sales Services Team in Beijing" by New Fortune, a well-known financial magazine in the PRC
	Awarded No. 4 among the Top Five Golden Bull Research Institutions by China Securities Journal
	Awarded "Top Ten Financial Innovation Projects in Fujian Province" by Fujian Provincial Financial Affairs Office
	Awarded "Excellent Trading Institution" by Shanghai Futures Exchange
	Awarded the third prize of "Financial Technology Development Award" by People's Bank of China and CSRC
	Awarded "Best Brokerage Asset Management Growth Award" by China Fund News
	Awarded "Golden Bull Fund Management Company" by China Securities Journal
2020	Awarded "Excellent Underwriter of Local Government Bonds", "Annual Sponsorship and Underwriting Service Award" and "A Category of Annual Information Disclosure Work" by Shanghai Stock Exchange
	Awarded "Local Debt Outstanding Contribution Award" by China Central Depository & Clearing Co., Ltd.
	Awarded No. 6 in "Most Influential Research Institution", No. 4 in "Best Local Research Team", No. 1 in "Hong Kong and Overseas Market Research", No. 1 in pharmaceutical biology research and No. 1 in "Best Sales Service Team" by New Fortune, a well-known financial magazine in the PRC
	Awarded "Top Ten Star Fund Companies" by Securities Times
	Awarded the third prize of "Securities and Futures Science and Technology Award" by Securities Association of China
2019	Awarded "Excellent Underwriter of Corporate Bonds" and "Excellent Underwriter of Local Government Bonds" by Shanghai Stock Exchange
	Awarded No. 1 in "Best Sales Service Team" and No. 1 in "Best Service Team in Beijing, Shanghai, Guangzhou and Shenzhen" by New Fortune, a well-known financial magazine in the PRC
	Awarded No. 1 in medical biology, transportation and storage, and chemical research and No. 2 in the most influential securities research institutions by Shanghai Securities News, the official newspaper of Shanghai Stock Exchange

	Awarded No. 1 in non-ferrous metals, medical biology, overseas research and No. 1 in sales and service managers in Beijing, Shanghai, Shenzhen and Guangzhou by Securities Market Weekly, a well-known financial magazine in the PRC
	Awarded "Annual Brokerage Brand Award" and "Annual Brokerage Outstanding Asset Management Award" by Hexun (https://m.hexun.com/), a well-known financial website in the PRC
	Awarded "Top 100 Financial Service Provider" and "Top 100 Financial Institutions for Innovation" by China Economy (http://www.ce.cn/), a well-known financial website in the PRC
2018	Awarded No. 1 in "Most Popular Research Institution for Insurance Funds", No. 1 in "Most Popular Research Institutions among Small and Medium-sized Insurance Funds", No. 2 in "Best Research Institutions", No. 3 in "Most Popular Research Institutions for Insurance Funds" and No. 3 in "Best Cooperative Research Institution" by China Insurance Asset Management Association
	Awarded Third Prize of "Securities and Futures Science and Technology Award" by China Securities Industry Association
	Awarded "Annual Outstanding Contribution Award of China Fund Industry" by China Fund Industry Association
	Awarded "Excellent Underwriter of Corporate Bonds" by Shanghai Stock Exchange
	Awarded "Excellent Underwriter of Corporate Bonds" and "Excellent Underwriter of Local Government Bonds" by Shenzhen Stock Exchange
	Awarded "China Bond Excellent Underwriter Award" and "Best Contribution Award for Non-Bank Underwriters of Interbank Local Bonds" by China National Debt Registration and Settlement Co., Ltd.

GROUP CORPORATE STRUCTURE

The following chart shows a simplified group structure of the Group as at the date of this Offering Circular:



GROUP BUSINESS

The Group provides a wide array of financial services targeted to high net worth individual clients, corporations and financial institutions, including wealth management business, institutional service business, proprietary investment business and overseas business. The following tables set forth the revenue and other income of the Group by segment for the periods indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(RMB in millions)	*%*	*(RMB in millions)*	*%*	*(RMB in millions)*	*%*
Wealth management business						
Securities and futures brokerage	3,189.5	18.1	4,180.1	22.0	3,791.8	35.6
Asset management	3,955.9	22.5	5,316.7	28.0	3,389.4	31.8
Institutional service business	6,161.2	35.0	5,737.7	30.2	2,603.5	24.4
Proprietary investment business	4,383.0	24.9	3,419.5	18.0	846.3	7.9
Overseas business	163.9	0.9	388.6	2.0	85.9	0.8
Others	440.7	2.5	1,024.0	5.4	1,105.1	10.4
Inter-segment offset	(714.5)	(4.1)	(1,094.4)	(5.8)	(1,162.2)	(10.9)
Total revenue	**17,579.7**	**100.0**	**18,972.2**	**100.0**	**10,659.6**	**100.0**

Wealth management business

Overview

The Group's wealth management business mainly includes securities and futures brokerage and asset management. The securities and futures brokerage business provides customers with targeted integrated financial service solutions such as securities and futures brokerage, product sales, margin trading, stock pledge repurchase and investment consulting, among others, through a combination of offline and online methods. The asset management business includes providing clients with various securities asset management services, fund asset management services and private equity investment fund management services.

Securities and futures brokerage

The Group engages in the trading of various securities and futures products on behalf of its clients, including stocks, funds, bonds, derivatives, futures and other financial products.

The Group's revenue for its securities and futures brokerage business for the years ended 31 December 2020, 2021 and 2022 was RMB3,189.5 million, RMB4,180.1 million and RMB3,791.8 million, respectively.

Asset management

In the field of securities brokerage asset management business, Industrial Assets Management Co., Ltd. focuses on developing active management business, continuously improving product investment performance and solidly advancing the "fixed income +" business strategy. As at 30 June 2023, Industrial Assets Management Co., Ltd. had entrusted assets under management of RMB87.7 billion, as compared to RMB74.6 billion at 31 December 2022.

In the field of public fund management business, AEGON-INDUSTRIAL Fund Management Co., Ltd. has focused on enhancing its performance and making steady progress. As at 30 June 2023, the total assets under management of AEGON-INDUSTRIAL Fund Management Co., Ltd. was RMB641.3 billion, as compared to RMB649.5 billion as at 31 December 2022.

In the field of private equity investment business, Industrial Capital Management Co., Ltd. actively explores expanding its institutional client base, strengthens relationships with existing and potential cornerstone clients, strengthens coordination with branches and actively serves the Group's investors with financial support. As at 30 June 2023, the funds under management of Industrial Capital Management Co., Ltd. were RMB9.2 billion, as compared to RMB7.0 billion as at 31 December 2022.

The Group's revenue for its asset management business for the years ended 31 December 2020, 2021 and 2022 was RMB3,955.9 million, RMB5,316.7 million and RMB3,389.4 million, respectively.

Institutional service business

Overview

The Group's institutional service business includes research and institutional sales business and investment banking business. Research and institutional sales services include the provision of securities research and sales transaction services, brokerage transaction settlement services, asset custody and outsourcing services for various institutional clients. Investment banking business is to provide corporate clients and government clients with one-stop direct financing services such as stock financing, bond financing, merger financing, New Third Board and structured financing, asset securitisation, financial advisory and regional equity market services.

Research and institutional sales

In the field of research services, the Group's research strength and institutional service capabilities continued to be among the best in the industry. By consolidating and enhancing the competitive advantages of the seller's business industry, the Group will continue to enhance the value of comprehensive research services, focus on the construction of think tanks, actively strengthen external cooperation and exchanges, and further expand the brand influence, deepen the Group's collaborative strategy to promote services through research and in-depth connection of research advantages with the Group's business needs, and promote the transformation of research advantages into economic benefits.

In the field of asset custody and outsourcing services, the Group gives full play to the advantages of the institutional service chain, deeply cultivates the securities private equity investment fund custody market, and actively seeks cooperation in public equity funds, bank wealth management products, private equity funds and other fields. The Group self-researched and launched the industry's first smart operation platform to optimise the functions of the manager's service platform and significantly improve customer service efficiency and customer experience. The Group gradually promoted the transformation of its custody outsourcing business to integrated financial services, and the overall competitiveness of the business has maintained strong growth. As at 31 December 2022, the Group has registered 5,496 private equity investment fund products, as compared to 4,709 as at 31 December 2021.

In the field of institutional trading services, the Group provides its clients with risk hedging tools and comprehensive investment and financing solutions to meet customers' various financial service needs and extend the radius of the Group's comprehensive financial services. In 2022, the Group has been qualified for commodity futures and options market making business and stock options market making business, becoming one of the first securities firms to launch market making business in the Beijing Stock Exchange.

Investment banking

In the field of equity financing, in recent years the Group firmly grasped the reform and market opportunities, and took multiple measures to upgrade its development deployment. The Group has consolidated the business foundation of the registration system for equity offerings in the PRC. The Group has strengthened regional development and formed a business strategy of providing full service to the Fujian region, focusing on breakthroughs in core regions and expanding the layout of the central and western regions. The Group strengthens the cultivation of industry competitive advantages, accelerates the introduction of internal and external talents based on a team with historical advantages, exerts the linkage effect of stocks and debt instruments, and accelerates the growth of industry groups. In 2022, the Group completed 18 underwriting projects and 10 refinancing projects, with an aggregate underwriting amount of RMB27.7 billion and RMB22.3 billion, respectively, ranking 11th and 7th in the PRC, respectively. The Group's efforts and achievements in serving the equity financing market continue to be widely recognised.

In the field of bond financing business, the Group continued to consolidate and enhance the competitiveness of its bond underwriting business, actively promote business innovation and transformation and cultivate successful business characteristics. At the same time, it is also proactive in responding to calls to serve the construction of new Fujian and support for green industries. In the first half of 2023, the Group completed underwriting of 129 corporate bonds, representing a year-on-year increase of 54 per cent., with the total amount of RMB50.4 billion, representing a year-on-year increase of 42 per cent. The Group maintained its core competitive advantage in Fujian and it continuously promoted green and technology innovation bond issuance by achieving nine security issuances for technological innovation issuers and intellectual property ABS projects, creating a green and innovative brand image.

In the field of financing for regional stock trading market, the Haixia Equity Exchange (Fujian) Co., Ltd. adheres to the concept of building a comprehensive financial service platform for micro, small and medium-sized enterprises, and leverages the resource and synergy advantages of trading platforms of the regional equity market, the resource environment market and the financial asset market to build an ecosystem for the formation and circulation of capital of micro, small and medium-sized enterprises.

The Group's revenue from its institutional service business for the years ended 31 December 2020, 2021 and 2022 was RMB6,161.2 million, RMB5,737.7 million and RMB2,603.5 million, respectively.

Proprietary investment business

The Group's proprietary investment business includes multiple types of proprietary investment, trading and market-making services such as stocks, bonds, derivatives, equity and alternatives under the principles of value investing and stable operation.

The Group's proprietary investment business adheres to the concept of value investing, takes into account the balance of risks and returns, and creates long-term stable investment returns. In terms of equity investment, the Group adheres to prudent investment management, adjusting the structure of equity assets closely following market dynamics; selecting individual stocks based on value, focusing on the allocation of blue-chip stocks with good fundamentals and sustainable growth capabilities, and focusing on the structural opportunities of technology and the Internet. In terms of bond investment, the Group actively grasped the cyclical market conditions to conduct transactional operations, and obtained interest rate spread allocation income and cyclical transactional income; at the same time, it further strengthened the credit risk management of holding bonds. On the one hand, the Group strictly paid attention to the credit rating of the bonds. On the other hand, the Group continued to optimise and adjust the bond holding structure, and strategically reduced positions on some low-interest bonds. In the field of alternative investment business, the Group actively develops related businesses through Industrial Securities Investment Management Co., Ltd.

The Group's revenues for its proprietary investment business for the years ended 31 December 2020, 2021 and 2022 was RMB4,383.0 million, RMB3,419.5 million and RMB846.3 million, respectively.

Overseas business

The Group's overseas business is conducted mainly through its subsidiary Industrial Securities (Hong Kong) Financial Holdings Limited, a controlling shareholder of the Issuer, and the Issuer Group to carry out global securities and futures brokerage, institutional sales and trading, corporate financing, fixed income, asset management and private wealth management.

In recent years, the Issuer Group has followed the market structure and development trend of overseas markets dominated by institutional investors, accelerated the promotion of business structure optimisation and transformation and upgrading, continued to increase the proportion of revenue from fee-based businesses, prudently developed capital businesses, and focused on risk-benefit balance. In the first half of 2023, the Issuer Group ranked third among Chinese securities firms by Bloomberg in terms of offshore bond issuance, and won the 2023 Bloomberg Businessweek Bond Excellence Award and the 2023 Junding Award for Overseas Investment Banking.

The Group's revenues for its overseas business for the years ended 31 December 2020, 2021 and 2022 was RMB163.9 million, RMB388.6 million and RMB85.9 million, respectively. For further details see "*Description of the Issuer Group*".

GROUP MAJOR CLIENTS

The Group serves a diverse base of clients, including individual, corporate and institutional entities. Major clients of the Group are mainly high net worth individuals and corporate clients. The Group's clients are mainly individual investors and are primarily based in the PRC. These clients are recruited from other securities and brokerage firms by the Group's account executives or its in-house client managers through their established network. There are also clients who opened trading accounts with the Group in Hong Kong due to the brand recognition associated with Industrial Securities in the PRC.

GROUP COMPETITION

The financial service industry in the PRC and Hong Kong is highly competitive with a large number of participants in the market. Among all these players, international investment banks and large-scale mainland PRC-funded players occupied a comparatively large market share in terms of number of transactions and turnover.

To maintain its market position, the Group has to compete effectively over competitors in terms of capital resources, pricing, client base, service coverage and quality, talents and brand recognition. Competitors of the Group may have stronger capital resources, greater brand recognition, more human resources, a wider range of services and longer operating histories than that of the Group. Apart from large multinational financial institutions, the Group also faces competition from newly established local medium and small-sized financial services firms which offer a similar range of services. Despite keen competition, the Group believes that its core competitive advantages, sound business planning and the contributions of its senior management as further described in "*Description of the Group – Group competitive strengths*" and "*Description of the Group – Group business strategies*" have allowed the Group to rapidly stand out as a reputable full-service securities group in the PRC and Hong Kong, and to capture further market share as the Group grows its business.

GROUP INFORMATION TECHNOLOGY

To capture business opportunity from online trading which is becoming increasingly popular as well as to enhance its client's trading experience with the Group, leveraging on the information technology and software program developed by and acquired from third party vendors, the Group is able to offer multi-product online electronic trading services, through which clients can easily perform transactions over the web through computers and mobile phones, gain access to the Group's products which cover Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong stocks, Shanghai-Hong Kong Stock Connect, B shares, United States stocks, Canadian stocks, local futures and global futures. To cope with the increasing use of the Internet as a trading platform, the Group has established a system of risk management tools to identify and monitor risks, precisely to respond to risk in an efficient manner. In terms of information technology infrastructure, the Group uses VMware which provides rapid upgrading of the system, the use of multi-layer network architecture, web application firewall, digital security authentication, and intrusion prevention systems, to provide comprehensive security for corporate networks.

GROUP EMPLOYEES AND ACCOUNT EXECUTIVES

The Group believes that its long-term growth depends on the knowledge, experience and continuing commitment of its employees. The human resources department of the Group is in charge of the employee recruitment, training, compensation and performance appraisal. As at 30 June 2023, the Group had approximately 9,679 employees, including directors.

GROUP INSURANCE

The Group generally does not take out insurance for its regulated activities in the PRC, which it believes is consistent with industry practices in the PRC. The Group purchases insurances for certain assets, such as vehicles. The Group does not purchase any business interruption insurance for its operations in the PRC, which is consistent with industry practices in the PRC.

GROUP LEGAL AND REGULATORY COMPLIANCE

Licensing requirements

Regulated activities

The securities market in the PRC and Hong Kong is highly regulated. The principal regulatory bodies governing the Group's business are the CSRC in the PRC and the SFC and the Hong Kong Stock Exchange in Hong Kong. The Group's principal business and its responsible personnel are subject to a number of legislations and regulations and the respective rules of the CSRC in the PRC and the SFC, the Hong Kong Stock Exchange and the Listing Rules in Hong Kong.

In particular, the Group is required to be licensed with the CSRC in the PRC and the SFC and be admitted as a Stock Exchange Participant in Hong Kong to carry on its business. Set out below is a summary of some of the material licences and trading rights currently held by members of the Group in the PRC:

(a) securities brokerage business qualification

(b) securities investment consulting qualification

(c) financial advisory qualification related to securities trading and securities investment activities

(d) securities underwriting and sponsorship qualification

(e) securities proprietary business qualification

(f) securities asset management business qualification

(g) securities investment fund agency qualification

(h) intermediate introductory services for futures companies qualification

(i) Internet information services excluding news, publishing, education, healthcare, medicines and medical equipment, and electronic announcement services

(j) securities companies engaged in related innovation activities

(k) margin trading qualification

(l) direct investment business qualification

For a summary of the Group's licences in Hong Kong, see "*Description of the Issuer Group – Issuer Group legal and regulatory compliance*".

Legal proceedings

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. The majority of those legal proceedings were initiated by the Group. As at the date of this Offering Circular, neither the Guarantor nor any of its subsidiaries is engaged in any legal proceedings or claims of material importance and no legal proceedings or claims of material importance are known to its directors to be pending or threatened against the Group or any of its subsidiaries.

GROUP RISK MANAGEMENT AND INTERNAL CONTROL

During the ordinary course of its business activities, the Group is exposed primarily to the following risks: (a) credit risks arising from the default of clients in performing his or its contractual obligations, which mainly exist in the brokerage, investment and financing businesses of the Group; (b) liquidity risk arising from the Group's inability to meet its payment obligations when these obligations fall due under normal and stress circumstances; (c) operational risks arising from improper operation or errors in executing transactions; (d) regulatory risks of being subject to legal sanctions, enforcement actions, imposition of penalties arising from non-compliance of the Group's operations with the applicable rules and regulations; (e) legal risk in respect of illegal or improper use of the Group's operations by the Group, its employees or third parties; and (f) market risk arising from the change of market, including the risk of price fluctuation in equity-based assets and interest rate risk resulting in loss of or decrease in income or value of the Group's trading or investing positions.

As part of the Group's initiatives to manage these risks, the Group has in place risk management structure and implemented compliance and operational manuals, which contain credit policies, operating procedures and other internal control measures.

The Group's comprehensive risk management system is the core system of the Group's risk control. The overall goal of the Group's comprehensive risk management is to establish a strong internal control system and core risk management competitiveness to ensure that risks are measurable, controllable and manageable, so as to promote the long-term healthy development of the Group's business and the realisation of strategic goals. The Group's comprehensive risk management follows the principles of adaptability, comprehensiveness, pertinence and checks and balances.

In order to implement the above risk control system, the Group has established a comprehensive risk management organisation structure consisting of the board of directors, operating management, risk management departments, various departments and branches, namely the four-level structure of "the board of directors and its risk management committee, the board of supervisors – Group's management and its risk management committee – risk management department – departments and branches", to comprehensively improve the level of risk control.

Monitoring and management of major risks

Credit risks

The Group manages credit risks primarily through the following measures:

- the Group has established a risk management committee primarily responsible for designing risk management structure and strategies for its principal business units, reviewing and monitoring the implementation of risk management policies for its principal business units, identifying risks, approving trading limits and credit limits, and updating its risk management policies in response to changes;

- the Group has implemented "know-your-client" procedures and credit check to ascertain the background of its potential clients;

- the Group performs credit assessment on potential clients especially in its financing business, and requires its futures brokerage clients and financing clients to provide margin deposits or acceptable collateral (as the case may be) to minimise the Group's exposure;

- the Group closely monitors the margin ratio and loan-to-value ratio of the Group's financing clients and take appropriate action to recover or minimise the Group's loss where it foresees that its client may default in his/her or its obligation;

- the Group has a credit risk management department responsible for the evaluation of the customers' creditworthiness, financial background, value of the collateral provided and repayment abilities in the Group's daily operation; and

- the Group has credit policy with respect to the trading limits, credit line and credit period granted to the Group's brokerage and financing clients, which are subject to the Group's on-going review and revision.

Liquidity risks

The Group manages liquidity risks primarily through the following measures:

- the Group has in place a liquidity risk management system to identify, measure, monitor and control potential liquidity risk and to maintain the Group's liquidity and financial resources requirements as specified under applicable laws and regulations. Regular financial statement analysis and variance comparison against budget are performed by the management to identify any potential capital shortfall;

- the Group has established a multi-tier authorisation mechanism and internal policies for the management and approval of the use and allocation of capital. Authorisation limits are set for any commitment or fund outlay, such as procurement, investments, loans, etc. The finance department of the Group assesses the impact of those transactions on the capital level; and

- the Group meets its funding requirements primarily through bank borrowings from multiple banks. The Group has also adopted stringent liquidity management measures to ensure the Group satisfies capital requirements under the applicable laws.

Operational risks

The Group manages operational risks primarily through the following measures:

- the Group has responsible officers responsible for overseeing its day-to-day operations, controlling and monitoring compliance issues and solving dealing problems;

- the Group has formulated an operational manual for each business function to standardise its operational procedures and reduce human errors. the Group has surveillance systems to monitor the trading activities of its business units and staff on a real-time basis;

- the Group has set an authorisation hierarchy and procedures for its daily operations, such as granting trading limits and credit lines and closing out error trades, to reduce the risk of unauthorised activities;

- the Group has implemented a policy requiring its dealing staff to follow order taking procedures and report to the responsible officer and compliance department in writing as soon as they are aware of any error trade, and close out error position in accordance with the Group's internal policy;

- the Group requires all trading information be uploaded simultaneously to its computer system or recorded in accordance with its paper filing system and be backed up on a daily basis; and

- the Group provides regular training and formulate contingency plans to increase the capability of its staff to manage operational risks in emergency situations, such as system breakdown or power failure.

Regulatory and legal risks

The Group manages regulatory and legal risks primarily through the following measures:

- the department conducts checks and inspections on the Group's business units and reports irregularities to its senior management and the relevant department head for further action;

- the Group has formulated compliance and operational manuals for each business function, which is observed by its employees at all levels;

- the finance department monitors the Group's compliance with applicable laws and regulations on an ongoing basis. Under the Group's policy, liquid capital estimation is computed on a daily basis to ensure that timely information is conveyed to the management of the Group;

- the Group has implemented "know-your-client" procedures across its business functions. For example, the execution team in the finance business conducts due diligence in connection with each transaction, including review of due diligence materials, on-site visits, attendance at meetings, conducting interviews with Guarantors or listing applicants and their directors, senior management and employees;

- through the Group's surveillance system, the Group closely monitors and detects unusual and irregular trading activities, and generates exceptional trade reports for its compliance department and relevant department heads or responsible officers for further action;

- the compliance department closely monitors the licensing status and conditions of the Group, and arranges for the renewal of licences before expiry. The compliance department is required to notify the regulator in accordance with the notification requirements of applicable laws, rules, regulations and guidelines;

- the Group has implemented procedures and appointed a complaints officer under the compliance department for handling complaints received from clients in relation to the regulated activities of the Group; and

- the compliance department arranges for continuous professional training on topics such as anti-money laundering for the Group's staff from time to time.

Market risks

The Group manages market risks primarily through the following measures:

- the Group's senior management and head of business units regularly review its balance sheet, profit and loss accounts and credit granted to clients to identify the risk exposure of the Group, especially during adverse market movements;

- the Group reviews market risk limits for certain business lines such as the asset management and financial products and investments of the Group to manage risk and periodically reviews and adjusts market strategies of the Group in response to changes in the Group's business performance, risk tolerance levels and variations in market conditions;

- the Group reviews its trading positions on a daily basis and the general market condition from time to time;

- the investment decision committee is responsible for formulating investment policies and guidelines and the Group's investment managers are responsible for executing investment decisions;

- business units such as the corporate finance department of the Group internally discuss and evaluate market risks relating to potential new engagements and new businesses prior to engaging in any such new transaction or launching of any such new business; and

- the risk manager of the Group monitors the Group's daily asset management activities to ensure that the investment strategy and scope, asset allocation, selection of asset class and concentration level of each asset management product matches its product descriptions and disclosure in marketing materials.

Foreign exchange and interest rate risks

The Group manages foreign exchange and interest rate risks primarily through the following measures:

- the Group pays close attention to exchange rate trends and adopt hedging measurements from time to time; and

- the Group closely monitors its interest rate risk exposure and adopts hedging measurements such as U.S. dollar bond futures from time to time.

Staff dealing rules

The Guarantor and its subsidiaries generally restrict their employees from trading securities. These measures include blanket prohibitions of trading and, in some cases, permitted trading providing a notice is provided to the Group as employer detailing the executed securities trades and positions. Trading of stocks is generally subject to more stringent internal rules than other securities.

Segregation of business

To minimise the risk of collusion and improper trading activities, the Group assigns duties and functions to different departments and it is the policy that no employee may work concurrently for two or more departments with conflicts of interests or in situation where it may involve or result in improper dealing. For example, the Group requires its brokerage business to be segregated from other businesses with conflicts of interest, such as asset management and corporate finance. Under the Group's policy, key functions, such as customer services, sales, trading, account opening, client money deposit and withdrawal, accepting delegation from clients and clearing and settlement should be properly segregated and separately handled by separate staff members.

The Group also separately handles and manages its clients' funds from the Group's own funds.

Chinese wall

Employees are required to ensure that all information relating to the Group's clients, transactions and mandates are kept confidential. Any use of confidential information for personal purpose or for the benefit of any third party is strictly prohibited.

The Group has adopted a Chinese wall, which is designed to restrict the flow of such information across different business functions. The Group's Chinese wall operates to separate those areas such as corporate finance that routinely receive non-public and potentially inside information in the ordinary course of the business from those areas that deal in securities or provide investment advice, ensuring that those outside the Chinese wall will have no knowledge of confidential information within the Group. In case where it is necessary for the Group's staff to "cross-over-the-wall", such "cross-over-the-wall" shall be strictly monitored and controlled. Prior approval from head of relevant business units and the compliance department shall be obtained, and confidentiality undertaking shall be given by the relevant staff before allowing access to confidential or potentially price sensitive information. The Group's staff will be given access to the information only to the extent necessary.

Anti-money laundering

To mitigate the Group's money laundering risk, all of its staff members are required to adhere to the requirements set out in applicable laws and regulations. The Group has also provided education and training to the Group's staff on anti-money laundering. The Group's guidelines on anti-money laundering are provided in the Group-wide compliance manual and operational manuals provided to the Group's staff to ensure that they are aware of the possibility of money laundering and their own personal legal obligations in relation thereto. In addition, the Group has set up an anti-money laundering committee to ensure compliance with the relevant rules and regulations regarding anti-money laundering.

The Group conducts ongoing monitoring by periodically requesting and reviewing updated information, data and documents relating to clients. The Group also monitors the activities of its clients and identifies transactions that are large and unusual.

In respect of the Group's anti-money laundering efforts, the Group has adopted the "know your client" principle espoused in the guidelines mentioned above, whereby the Group requires potential clients to provide it with proof of identity, their occupation, background and contact details for verification.

GROUP IT RISK MANAGEMENT

For the year ended 31 December 2022, there was no significant deviation identified in the Group's current internal control system in relation to the guidance on information technology management. In addition, the Group regularly reviews its information technology internal control system.

Access controls

The Group has in place information security policy and rules which control over the Group's information technology infrastructure. Access controls are in place so that all users' (including staff, clients and vendors of the securities/futures trading system and back-office system) access to the system has to be authorised by the Group. Password policies and standards are formalised to facilitate user authentication and access control. The Group's computer system and information processing facilities are protected by firewalls, intrusion protection systems and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software. Encryption is applied to the transmission of sensitive information. The Group performs a compliance check against the established information technology policies. Daily backup procedures and a business continuity plan are in place to ensure continuity of its operation.

GROUP RELATED PARTY TRANSACTIONS

The Group currently engages in, and expect from time to time in the future to engage in, financial and commercial transactions with its subsidiaries, associates, and shareholders. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable laws and rules.

For more details, please see note IX to the Guarantor's consolidated financial statements for the years ended 31 December 2021 and 2022, included elsewhere in this Offering Circular.

DESCRIPTION OF THE ISSUER GROUP

ISSUER GROUP OVERVIEW

The Issuer Group is a full-service securities group based in Hong Kong with integrated service offerings comprising brokerage, corporate finance, asset management, margin financing and financial products and investments services. The Issuer was incorporated under the laws of the Cayman Islands on 21 July 2015 with limited liability and is registered in Hong Kong as a non-Hong Kong company with its principal place of business at 32/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. The Issuer Group operates its business mainly through the Issuer, which was listed on the Hong Kong Stock Exchange GEM in 2016 and transferred to the Main Board in 2019 (stock code: 6058).

The Issuer was the first subsidiary of a Chinese securities enterprise listed offshore by spin-off. The controlling shareholder of the Issuer, the Guarantor, is listed on the Shanghai Stock Exchange (stock code: 601377) and is one of the leading securities firms in the PRC. With over 20 years of operating history, "興證" is a widely recognised brand in the PRC. The Issuer Group's relationship with the Guarantor has allowed the Issuer Group to effectively establish a local market presence, reinforce client confidence in its services and grow its client base, as well as provided the Issuer Group with high-quality management resources to establish a strong presence in Hong Kong since commencement of its business in 2012. Benefiting from its history as a subsidiary of the Guarantor and capitalising on both the brand reputation associated with "興證" and its own core competitive strengths, the Issuer Group has been actively seeking growth opportunities through expanding its client sources, innovating products and services to align with the diversifying needs of its clients and optimising its business structure in response to changing economic cycles and global financial markets development trends. Facing the volatile market environment and intense industry competition, the Issuer Group has been solidly pursuing the strategical planning for "14th Five-Year Plan" and the construction of the "two-wheel linkage" business system, further building up an international professional platform, maintaining a neutral and prudent risk appetite, strengthening the system construction, reinforcing the compliance and risk control system, enhancing financial technology capabilities, effectively improving capability of operational services, comprehensively optimising the talent structure, and effectively controlling various risks while promoting the stable development of business.

Principal business lines of the Issuer Group are[2]:

- ***Brokerage***: the Issuer Group engages in the trading of listed securities, futures, options, other securities, eligible A-shares of the Shanghai Stock Exchange and securities and futures in overseas markets (including the United States, Taiwan, Singapore, Australia, the United Kingdom and Germany) on behalf of its clients. The Issuer Group also offers third party insurance, pensions and other wealth management products to its clients.

- ***Corporate finance***: the Issuer Group provides corporate finance services, including underwriting of equity and debt securities offerings, sponsorship of listings and corporate advisory services.

- ***Asset management***: the Issuer Group offers collective asset management products, discretionary account management and investment advisory services tailorable to the investment styles and risk appetites of individual clients.

- ***Margin financing***: the Issuer Group offers margin financing to customers.

- ***Financial products and investments***: the Issuer Group engages in proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

---

[2] *The Issuer Group ceased making new loans under its loans and financing business in February 2020.*

Set forth below is an overview of the major subsidiaries of the Issuer Group:

- China Industrial Securities International Brokerage Limited 興證國際證券有限公司 (formerly known as Industrial Securities (Hong Kong) Brokerage Limited 興證(香港)證券經紀有限公司) ("**CISI Brokerage**") – CISI Brokerage was incorporated under the laws of Hong Kong on 20 July 2011 with limited liability and is currently licensed under the Securities and Futures Ordinance ("**SFO**") to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Futures Limited(興證國際期貨有限公司)(formerly known as Industrial Securities (Hong Kong) Futures Limited(興證(香港)期貨有限公司)) ("**CISI Futures**") – CISI Futures was incorporated under the laws of Hong Kong on 18 January 2012 with limited liability and is currently licensed under the SFO to engage in Type 2 (dealing in futures contracts) regulated activity. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Capital Limited(興證國際融資有限公司)(formerly known as Industrial Securities (Hong Kong) Capital Limited(興證(香港)融資有限公司)) ("**CISI Capital**") – CISI Capital was incorporated under the laws of Hong Kong on 16 August 2012 with limited liability and is currently licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Asset Management Limited(興證國際資產管理有限公司)(formerly known as Industrial Securities (Hong Kong) Asset Management Limited(興證(香港)資產管理有限公司)) ("**CISI Asset Management**") – CISI Asset Management was incorporated under the laws of Hong Kong on 31 October 2011 with limited liability and is currently licensed under the SFO to engage in Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Custody Limited(興證國際託管有限公司)("**CISI Custody**") – CISI Custody was incorporated under the laws of Hong Kong on 2 November 2023. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Investment Limited(興證國際投資有限公司)(formerly known as Industrial Securities (Hong Kong) Investment Limited(興證(香港)投資有限公司)) ("**CISI Investment**") – CISI Investment was incorporated under the laws of Hong Kong on 29 May 2014. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- China Industrial Securities International Wealth Management Limited(興證國際私人財富管理有限公司)(formerly known as Industrial Securities (Hong Kong) Wealth Management Limited(興證(香港)私人財富管理有限公司)) ("**CISI Wealth Management**") – CISI Wealth Management was incorporated under the laws of Hong Kong on 21 April 2015 with limited liability and is currently a member of the Professional Insurance Brokers Association. It is a wholly-owned subsidiary of the Issuer as at the date of this Offering Circular.

- CISI Investment Limited was incorporated under the laws of British Virgin Islands on 11 May 2016 with limited liability. CISI Investment Limited was registered in Hong Kong as a non-Hong Kong company on 7 March 2017. It is a wholly-owned subsidiary of CISI Investment as at the date of this Offering Circular.

- CISI Capital Management Limited was incorporated under the laws of British Virgin Islands on 27 January 2017 with limited liability. CISI Capital Management Limited was registered in Hong Kong as a non-Hong Kong company on 7 March 2017. It is a wholly-owned subsidiary of CISI Investment as at the date of this Offering Circular.

Core competitive strength of the Issuer Group lies in its strong service capability that fulfils the varying investment and financing needs of its clients. Operating subsidiaries of the Issuer Group are licensed to conduct different regulated activities under the SFO. The Issuer Group conducts brokerage and margin financing businesses through CISI Brokerage, which is licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, and CISI Futures, which is licensed to carry on Type 2 (dealing in futures contracts) regulated activity. Corporate finance business of the Issuer Group is conducted through CISI Capital, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and qualified to act as sponsor under the SFO, while the asset management business of the Issuer Group is conducted through CISI Asset Management which is licensed to carry on Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO. The Issuer Group offers wealth management products developed by third parties to its clients through CISI Wealth Management, which is a member of the Professional Insurance Brokers Association. A diversified business portfolio allows the Issuer Group to create synergies between its business lines, generate cross-selling opportunities and provide integrated financial services to clients.

The fast-growing business of the Issuer Group is underpinned by its professional and seasoned workforce. Executive and non-executive directors of the Issuer Group have an average of more than 19 years of experience in the financial services industry and the senior management members of the Issuer Group have served renowned financial institutions in the PRC, Hong Kong and/or overseas. The strong and experienced management team of the Issuer Group allows it to keep abreast of the latest developments in the capital market and financial services industry, formulate sound business strategies and respond timely to changing market conditions to capture growth opportunities.

The Issuer Group began its business in 2012 and has experienced sustainable growth since then. In 2022, under the impact of a volatile global capital market and heightened risks of economic downturn, the total revenue of the Issuer Group decreased from HK$636.4 million for the year ended 31 December 2021 to HK$258.0 million for the year ended 31 December 2022, representing a year-on-year decrease of 59.5 per cent. Commission and fee income from the brokerage business, the corporate finance business and the asset management business, interest revenue from the financial products and investments business and margin financing business and net trading and investment income from the financial products and investments business constitute the main sources of revenue for the Issuer Group. The Issuer Group's commission and fee income amounted to HK$343.7 million, HK$326.5 million and HK$223.2 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 59.6 per cent., 51.3 per cent. and 86.5 per cent. of its total revenue during the same periods, respectively. The Issuer Group's interest revenue amounted to HK$209.6 million, HK$106.4 million and HK$49.4 million for the years ended 31 December 2020, 2021 and 2022, respectively, representing 36.3 per cent., 16.7 per cent. and 19.1 per cent. of its total revenue during the same periods, respectively. The Issuer Group's net trading and investment income amounted to HK$23.4 million and HK$203.5 million for the years ended 31 December 2020 and 2021, respectively, representing 4.1 per cent. and 32.0 per cent. of its total revenue during the same periods, respectively. The Issuer Group incurred net trading and investment loss of HK$14.6 million for the year ended 31 December 2022. Please see "*Risk Factors – Risks Associated with the Business Operations of the Group – The Issuer Group has incurred losses for certain business segments for the years ended 31 December 2020, 2021 and 2022 and may suffer further loss for certain business segments*".

ISSUER GROUP COMPETITIVE STRENGTHS

The Issuer Group believes that the following strengths distinguish it from its competitors:

The Issuer Group is a fast-growing securities group with a strong capital base in Hong Kong

Leveraging sound business planning, the Issuer Group has since the commencement of its business rapidly stood out as a reputable China-affiliated securities group based in Hong Kong. It offers a full range of financial services including brokerage, corporate finance, asset management, margin financing and financial products and investments. The outstanding performance of its business for the years ended 31 December 2020, 2021 and 2022 is evidenced as follows:

- the Issuer Group transformed its wealth management business by integrating internal resources and adopting financial technologies and vigorously developed the internet securities model with an increase of 99 per cent. in security brokerage customers who opened accounts online. At the end of 2022, the customers' assets under custody amounted to HK$47.6 billion, representing a decrease of 12.5 per cent. as compared to the beginning of the year, which was lower than the decrease of Heng Seng Index. The segment of US shares transaction realised a breakthrough, representing a year-on-year increase of 157 per cent.;

- in 2022, the Issuer Group completed 116 bond underwriting services, representing an increase of 33 per cent. year-on-year, with the total underwriting amount of US$1,944.3 million, ranking 6th among Chinese-funded securities firms according to Bloomberg. In addition, the Issuer Group has successfully promoted the implementation of several innovative businesses, completed the issuance of the first prefecture-level municipal investment-grade free trade zone bond, the first central and western region free trade zone bond and the first financial enterprise and central enterprise free trade zone bond in the PRC, and assisted 19 enterprises in issuing green bonds with an aggregate financing amount of HK$50 billion. The total amount of equity financing projects of the Issuer Group in 2022 amounted to US$58.3 million, ranking 14th among Chinese-funded securities firms according to Bloomberg; and

- as at the end of 2022, the Issuer Group had 28 asset management products and the scale of assets under management was HK$6,360 million. Among them, the annual yield of CISI Stable Growth Bond Fund SP, the flagship fixed income product, significantly outperformed the Bloomberg Barclays Asia Ex-Japan USD Credit China Index yield. During the year, the Issuer Group was awarded Top Investment House in Asian G3 Bonds for 2022 by Asset Benchmark Research;

The Issuer Group believes that its expansion and outstanding performance is grounded in its full-service capability to fulfil the varying needs of its clients, its technical expertise and its seasoned workforce that deliver professional and customised services of high quality. The Issuer Group's strong capital base allows it to extend larger loans and more personalised financing services to customers of different capital and financing requirements. The Issuer Group will continue to leverage its service capability and capital base advantages to innovate its portfolio of products and services so as to attract high-quality clients, resulting in an increase of its market share and achievement of long-term growth in its businesses.

The Issuer Group benefits from PRC enterprises listed in Hong Kong

According to the Hong Kong Stock Exchange, as at 31 December 2022 enterprises based in the PRC comprised 54 per cent. of all listed companies, 77 per cent. of the total market capitalisation and 88 per cent. of the average daily equity turnover of share transactions on the Hong Kong Stock Exchange, all of which benefit it as a known provider of PRC-related brokerage expertise and services.

The Issuer Group benefits from its history as a subsidiary of the Guarantor and the brand reputation associated with "興證"

The Issuer Group's controlling shareholder, the Guarantor, is one of the leading securities firms in the PRC. The Guarantor was established in 1994 and was one of the first batch of regulated securities companies in China. It has an outstanding track record of over 20 years in the financial service industry and sales coverage across more than 20 provinces, autonomous regions and municipalities in the PRC.

The core businesses of the Group in the PRC include securities and futures brokerage, securities proprietary trading, investment banking and asset management. With over 20 years of operating history, "興證" is a widely recognised brand in the PRC. As the indirect subsidiary of the Guarantor, the Issuer benefits from the strong brand recognition and reputation associated with "興證", which has effectively allowed it to (i) establish a local market presence in Hong Kong as a gateway for Chinese capital, (ii) reinforce clients' confidence in its services, and (iii) grow its client base continuously since commencement of its business. The experience gained by several of its directors and senior management while working at the Group has also provided it with high-quality management resources, technical expertise and sound business planning at an early stage of its development, which are critical for it to stand out as a fast-growing securities group in Hong Kong.

Capitalising on its own competitive advantages and background as a China-affiliated securities firm with presence in the local market, the Issuer Group has developed an in-depth understanding of the investment needs of investors from Hong Kong and mainland China and enlarged it client sources. The Issuer Group believes that the Issuer Group is well-positioned to leverage the growing trend of offshore investment needs of investors and deliver financial services tailored to their needs.

The Issuer Group provides full-service offerings tailored to the varying needs of its clients

The Issuer Group offers brokerage services and trading of stocks, futures, options and other securities listed in Hong Kong on behalf of clients seeking to realise gain from market movements. The Issuer Group is one of the China Connect Exchange Participants, which enables it to execute trades of eligible stocks listed on the Shanghai Stock Exchange for its clients. The Issuer Group also offers trading services in respect of securities and futures traded on overseas exchanges (including the United States, Taiwan, Singapore, Australia, the United Kingdom, and Germany) through external brokers. These brokers (or their agents) are licensed in their respective jurisdictions to trade such securities. The Issuer Group provides loans and financing services to clients who seek to maximise gain through leverage or satisfy business needs through external financing. The Issuer Group offers corporate finance services including acting as sponsor for companies conducting an IPO or listing on Hong Kong Stock Exchange, underwriting shares in IPOs and secondary offerings, underwriting bond offerings and providing financial advisory services to clients to formulate their financing strategies. The Issuer Group offers asset management products for clients seeking to identify the best balance of risk and growth opportunity and to create value from their assets. The Issuer Group also offers wealth management products such as insurance and pension schemes developed by third parties to its clients. The Issuer Group's full-service business enables it to expand its client base effectively.

The Issuer Group's wide array of service offerings enables it to cross-sell its expertise developed across different service areas, deliver customised products or services and offer advice which suits the needs of its clients, create synergies through cross-selling across different business lines, optimise its client coverage effort, create new business opportunities for each product team and in turn maximise its revenue.

The Issuer Group has a professional and seasoned team with diverse backgrounds

The Issuer Group's professional and seasoned management team has played a significant role in shaping its success to date. Its executive and non-executive directors have an average of over 19 years of experience in finance-related industries. Most of its senior management also possess more than 10 years of experience in finance-related disciplines and represent diverse cultural backgrounds, including China, Hong Kong and Taiwan, enabling them to contribute global and domestic market perspectives and business acumen when formulating long-term business goals and expansion plans for the Issuer Group, better serve the needs of clients from diverse cultural backgrounds, effectively adapt to, identify and capture business opportunities arising from market and regulatory changes, and lay down a solid foundation for its future expansion into the capital markets of different jurisdictions.

For mid-level management and employees, the Issuer Group places great emphasis on their professional training and development in order to further their technical expertise and execution capabilities, aiming at delivering premium services that can effectively respond to its clients' demands. In line with the development of its business lines, the Issuer Group actively recruits talented individuals with experience in leading financial institutions, such as renowned banks, to further strengthen its service and execution standards. Through on-going staff training, recruitment of a high quality workforce and enhancement of service quality, the Issuer Group believes that it has successfully cultivated customer loyalty and a reputation for exemplary service.

ISSUER GROUP BUSINESS STRATEGIES

The capital markets may continue to face challenges due to certain factors, including a high interest rate environment and geopolitical risks. However, with the relaxation of the pandemic prevention and control policy and the full resumption of normal travel between Hong Kong and Mainland China, the economy may usher in a recovery and the capital markets are expected to recover, and investor confidence will be recast, providing momentum for the development of the securities industry in Hong Kong. The Issuer Group believes that the pace of Chinese enterprises "going global" will quicken and a rising number of Chinese enterprises will increase their interaction with global capital markets, driving even more Chinese capital abroad and increasing demand amongst Chinese investors for financial services in Hong Kong. In addition, it is expected that more overseas capital will be deployed into China, which will, in turn, further promote the expansion and opening up of the Chinese capital markets. The role of Hong Kong as an offshore Renminbi centre and an important regional financial hub has become increasingly crucial throughout this process. As an important gateway into Hong Kong's capital markets, the Issuer Group expects that it will continue to benefit from such trends through the implementation of the following strategies.

Optimising client base by increasing diversification of client sources and offering customised services

The Issuer Group aims to optimise its client base through the following client-focused strategies:

- *Increasing diversification of client sources*: Capitalising on the increasing integration of the Chinese and Hong Kong financial markets and the trend of internationalisation of Chinese capital in recent years, the Issuer Group has developed a strong clientele of Chinese investors. Whilst the Issuer Group will continue to accommodate the needs of such PRC clients, the Issuer Group believes that both local and overseas clients will continue to present an attractive business opportunity. The diversification of client sources, in particular localisation, has become an important direction for the development of the Issuer Group. To achieve this, the Issuer Group is enhancing its sales capability in both local and overseas markets.

- *Increasing efforts in offering customised services to cater for the varying needs of different clients*: Both Hong Kong and overseas markets are dominated by institutional investors. With the further development of its corporate finance and asset management businesses, the Issuer Group has been increasing the proportion of institutional clients and corporate clients. Going forward, the Issuer Group will step up its efforts in developing its coverage of institutional clients and corporate clients on the basis of the further development of affluent individual clients. To implement this strategy, the Issuer Group will consider: (i) continuing to offer personalised wealth management portfolios tailored to the needs of affluent and high net worth clients; (ii) continuing to further strengthen its sales team to focus on expanding its institutional and corporate client base; and (iii) encouraging cross-selling between its various business lines.

Continuing to enrich brokerage and wealth management services

The Issuer Group derives a significant proportion of its total revenue from its brokerage business and related services. For the years ended 31 December 2020, 2021 and 2022, commission and fee income from its brokerage business amounted to HK$185.0 million, HK$210.8 million and HK$157.8 million, respectively, representing 32.1 per cent., 33.1 per cent. and 61.2 per cent. of its total revenue, respectively. The Issuer Group will continue to enrich its securities and futures brokerage services, enhance its market share and accelerate the development of its Hong Kong and overseas client base. Through taking advantage of the PRC's various preferential policies regarding Hong Kong (such as Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect and the new Foreign Exchange Administrative Measures on Investment in Domestic Securities by Qualified Foreign Institutional Investors (which introduced a more transparent investment quota regime and relaxed capital remittance requirements)), the Issuer Group strives to enrich its products and services, enhance talent nurturing and boost its service capabilities in relation to cross-border opportunities for its brokerage and wealth management business lines.

The Issuer Group will gradually transform itself from a conventional securities brokerage firm to an integrated service provider for client wealth management. To achieve this, the Issuer Group has already established a team for distribution of insurance and financial products. The Issuer Group plans to continue to enlarge the scope of its brokerage services and deepen its cooperation with various professional investment institutions, such as mutual funds, private equity funds, hedge funds, banks, insurance and trust companies to grow its institutional client base and increase the revenue contribution of its brokerage services. In addition, the Issuer Group has transformed its wealth management business by integrating internal resources and adopting financial technologies and vigorously developed the internet securities model with a significant increase of security brokerage customers who opened accounts online.

Build an international professional platform and consolidate wealth management and institutional businesses

The Issuer Group seeks to deepen the building of an international professional platform, consolidate the two major fee-based business pillars of big wealth management and big institutional business, integrate the internal sales resource, promote the upgrading of development model of big institutional business, and promote the market competitiveness of major businesses to a new level. The Issuer Group plans to steadily develop proprietary investment business, margin loans business and other capital-consuming business and continue to promote the construction of cross-border derivatives business.

- *Accelerate the development of asset management business*

The Issuer Group strives to forge a bi-directional investment platform for overseas investments of mainland China capital as well as mainland China-bound investments of overseas capital, focusing on the development of such alternative investment products as passively managed products to achieve a rapid, sound growth of the total size of the assets under management. The Issuer Group plans to further diversify its product categories and the structure of its asset management business, and expand its amount of AUM. The Issuer Group will focus on its core assets in China and continue to enrich product categories, while improving the operational capabilities of its asset management business and its brand building.

- *Further develop sales and research capabilities for institutional clients*

The Issuer Group plans to further develop its sales and research capabilities by expanding its research team which is tailored to its business needs and future development. The Issuer Group's goal is to create a research institution influential in Hong Kong and overseas. Throughout its rapid growth, the Issuer Group has emphasised its research capabilities as evidenced by having jointly established its Overseas Research Centre with Industrial Securities, which is the earliest established and one of the most comprehensive market research teams of any Chinese securities enterprise outside the PRC. The research team of the Issuer Group focuses on providing research of China-affiliated enterprises listed in Hong Kong and overseas markets, offering quality research support services to institutional investors both home and abroad and assisting them in embracing various challenges amidst the surging wave of overseas assets allocation. The Issuer Group has maintained the leading position in the industry, continued to win the first place of the best research in mainstream selections such as New Fortune (新財富) and the Crystal Ball Award (水晶球獎), and continued to strengthen business empowerment.

Research analysts of the Issuer Group will continue to closely track the business growth of target listed companies and conduct in-depth analysis of their corporate fundamentals in order to drive the development of its institutional sales business using quality research outcomes and services, continuously expand the breadth of coverage of listed companies and the depth of relevant research, and deepen its interactive collaboration with institutional investors. The Issuer Group's objectives are to (i) build on the loyalty of institutional clients through research services and roadshow services, and turn the institutional sales business into a driving force to develop its corporate finance business and asset management business, (ii) actively expand its operation team and brokerage team, and broaden marketing channels and (iii) actively explore the development model of internet securities, build an online customer marketing and service system based on internet mobile terminal, thereby achieving a continuous growth in the number of institutional and retail clients and assets. The Issuer Group aims to focus its research coverage over Hong Kong stocks as well as overseas stocks and cultivate and recruit top analysts for key research areas to broaden its coverage for overseas institutional investors.

- *Promote the development of its corporate finance business*

The Issuer Group will step up its efforts in introducing and building professional teams, strengthening its full-service business chain including soliciting, undertaking and underwriting, and enhancing brand awareness, thereby improving the business capability and profitability of its equity financing business. As for its bond issue and underwriting business, the Issuer Group will actively participate in various projects such as public offered bonds, privately placed bonds and financing for specific projects, expand the institutional client base, and increase sales efforts, so as to further promote the overall development of the business.

- *Improve risk control and allocation of resources*

The Issuer Group seeks to continue to improve the compliance risk control system, adhere to the neutral and prudent risk appetite, optimise the allocation of human, financial and material resources, form a high-quality and stable talent echelon structure, continue to promote the construction of information systems, rely on technology empowerment to comprehensively improve its operation and management capabilities.

ISSUER GROUP RECENT DEVELOPMENTS

On 18 January 2024, the board of directors of the Issuer announced that Mr. CAI Junzheng has tendered his resignation as an executive director and the chief executive officer of the Issuer with effect from 18 January 2024. Ms. Zhang Chunjuan, an executive director of the Issuer, will succeed Mr. Cai as the chief executive officer of the Issuer with effect from 18 January 2024. For more details, please see "*DIRECTORS OF THE ISSUER*".

On 21 August 2023, the Issuer Group published its interim financial information for the six months ended 30 June 2023 and on 24 August 2020 the Issuer Group published its interim financial report for the six months ended 30 June 2023 (the "**Issuer Group Interim Financial Information**"). The Issuer Group prepared the Issuer Group Interim Financial Information in accordance with the applicable disclosure provisions of the Listing Rules. The Issuer Group Interim Financial Information is not audited or reviewed and it may differ from future audited or reviewed information. The Issuer Group Interim Financial Information is not included in and does not form part of this Offering Circular and is not incorporated, directly or indirectly, in any form or manner, into this Offering Circular. Investors should therefore not rely on the Issuer Group Interim Financial Information in making their investment decision.

For the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, the Issuer Group's operating revenue increased, and the Issuer Group recorded a net gain after tax for the six months ended 30 June 2023 as compared to a net loss for the six months ended 30 June 2022. The main reasons for the gain was primarily because revenue from the Issuer Group's financial products and investments business increase substantially.

ISSUER GROUP HISTORY AND DEVELOPMENT

The Issuer was incorporated in the Cayman Islands with limited liability on 21 July 2015. Prior to 18 December 2015, the business of the Issuer Group was conducted by the Issuer and its subsidiaries. On 18 December 2015, the Issuer Group performed a reorganisation in which CISI Brokerage, CISI Asset Management, CISI Futures, CISI Capital and CISI Investment were acquired by the Issuer.

The following table sets out the landmark events during the Issuer Group's development:

2011	Industrial Securities (Hong Kong) Financial Holdings Limited(興證(香港)金融控股有限公司)("**Industrial Securities (Hong Kong)**") was established with initial issued share capital of HK$100 million
2012	The Issuer Group issued its first offshore fund product
	The SFC granted CISI Brokerage Type 1 and Type 4 regulated activities licences
	The SFC granted CISI Futures a Type 2 regulated activity licence
	The SFC granted CISI Asset Management Type 4 and Type 9 regulated activities licences
2013	The SFC granted CISI Capital Type 1 and Type 6 regulated activities licences
	CISI Capital qualified to act as a sponsor under the SFO
	The SFC granted CISI Asset Management Type 5 regulated activity licence
2014	The total issued and paid-up share capital of Industrial Securities (Hong Kong) reached HK$500 million
2015	Total amount of client assets held by the Issuer Group reached HK$30 billion
2016	The Issuer listed on the Hong Kong Stock Exchange GEM in October and the total equity of the Issuer exceeded HK$4 billion
2017	The Issuer Group was ranked among the top 10 of all Hong Kong listed China-affiliated securities enterprises in terms of amount of G3 currency denominated bond underwriting
2018	The Issuer Group was ranked third among all Hong Kong listed China-affiliated securities enterprises in terms of G3 currency-denominated high-yield bond underwriting

The Issuer Group was ranked fourth among China-affiliated securities enterprises in terms of total assets held in Hong Kong stocks

2019	The Issuer was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6058)
2021	The Issuer Group's "China Core Asset Fund" was successfully recognised as "Mutual Recognition of Funds Northbound"
2022	The Issuer Group's underwriting of pearl bonds (free trade zone offshore bonds) ranked No.1 among Chinese securities firms
2023	The Issuer was officially included in the MSCI Hong Kong Small Cap Index at the end of May

Awards and Recognitions

Set forth below is a summary of the key honours and awards the Issuer Group received in recent years:

2022	2022 Excellence Award Best Wealth Management Platform in Securities Sector by Bloomberg Business Week
	Top Investment Houses in Asian G3 Bonds for 2022 by The Asset Magazine
	The most Astute Investors in Asian G3 Bonds for 2022 by The Asset Magazine
	"2022 Outstanding Underwriter in LGFV Category Award at the Chinese Offshore Bonds Selection" by Jiuqi Finance
	2022 Gelonghui Best CSR Award of the Best Listed Companies, Greater China Area by Gelonghui (Guru Club)
	2022 Gelonghui Best Financial Innovation Award of the Best Listed Companies, Greater China Area by Gelonghui (Guru Club)
	First Prize Winner on Hong Kong Stock and Foreign Equity Analysis in the 20th New Fortune Best Analyst Awards by New Fortune Magazine
	2022" Pioneering Contribution Institution (Pearl Bond Business) of the Year" in China Debt Member Business Development Quality Evaluation by China Central Depository & Clearing Co., Ltd. (China Bond)
	2022/2023 Hong Kong Caring Company by the Hong Kong Council of Social Service (HKCSS)
2021	2021 Outstanding Award Best Wealth Management Platform by Bloomberg Business Week
	2021 Gelonghui CSR Award of the Best Listed Companies, Greater China Area by Gelonghui (Guru Club)
	The Best China Securities Firm Award in the 11th Golden Bauhinia Award of China Securities by Hong Kong Ta Kung Wen Wei Media Group (HKTKWW)

Best New Economy Company of the year in the 6th Golden Hong Kong Stock Awards by Zhitongcaijing and Hithink Royalflush Information Network

Best Asset Management Performance in the 3rd "Golden Central" Awards by Zhitongcaijing and Hithink Royalflush Information Network

The Most Comprehensive Securities Firms of Hong Kong and US Stock Market in the 3rd "Golden Central" Awards by Zhitongcaijing and Hithink Royalflush Information Network

Star Investment Bank of Capital Market in 2021 China Financial Market Awards by China Financial Market Magazine

Best Fund Performance of the Year in 2021 China Financial Market Awards by China Financial Market Magazine

First Prize Winner on Hong Kong Stock and Foreign Equity Analysis in the 19th New Fortune Best Analyst Awards by New Fortune Magazine

First Prize Winner on Foreign Equity Analysis in the 15th Crystal Ball Awards for Chinese Sell-Side Analysts by Capital Week

First Prize Winner in Selection of Best Securities Analyst in Sina Finance and Economics 2021 by Sina Finance and Economics

First Prize Winner in 21st Century Top Analysts Awards 2021 by 21st Century Business Herald

2020 . . . . 2020 Regional Award for Best New Product Equity, organised by Insights & Mandate

Highly Commended Investor among The Most Astute Investors in Asian G3 Bonds for 2020 (Hong Kong, China), organised by the Assets

"The Best Chinese Securities Dealer" at the 10th Golden Bauhinia Awards organised by China Securities

"Most Innovative" Award for the Best Listed Company in Great China for 2020 organised by gelonghui.com

The "Best Research" Award 2020 for Offshore China Funds organised by Bloomberg

The "Best Financial Company" Award at the 5th Golden Hong Kong Stock Annual Awards and "Best Research Securities Team" and "Best Asset Management Business Performance" of the second Golden Central Award

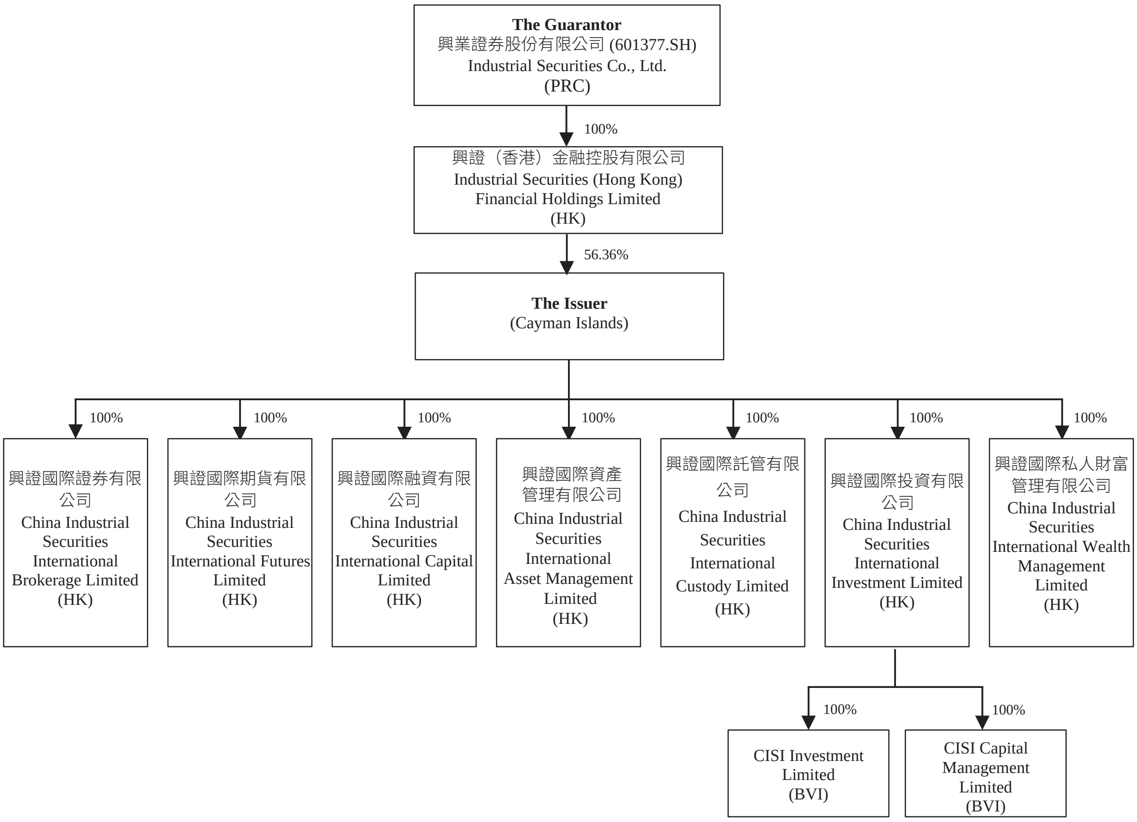
No. 1 among the best analysts for Hong Kong stocks and overseas research at the 2nd Sina Golden Unicorn Analysts Selection in 2020

No. 1 among the best analysts for Hong Kong stocks and overseas research at the 21st Century Gold Medal Analysts Selection in 2020

	2020 "Model Chinese Futures Dealer" from the Hong Kong Stock Exchange
2019	Awarded "Most Innovative Research Institution" at the 9th China Securities Golden Bauhinia Awards Ceremony
	Awarded "Capital Market's Star Investment Bank of the Year Award" at the annual "China Financing Award" organised by "China Financial Market", a well-known financial magazine in Hong Kong
	Awarded "Hong Kong Service Brand Award under the Category of Securities Brokerage Business" at the "Jun Ding Award for China Investment Banks & Securities Brokers 2019" ceremony hosted by China's authoritative media "Securities Times"
	CISI Futures received the "2019 Model Chinese Futures Dealer" award from the Hong Kong Stock Exchange for its outstanding performance in the trading of futures products
	Awarded "Most Valuable Investment Listed Company" in the First Phoenix Network Hong Kong Stock Financial Institution's Value List "Golden Award" by Phoenix Network Hong Kong Stocks
	Awarded "Most Valuable Financial Stock Company" in the 2018 Golden Hong Kong Stocks Award by Zhitong Finance
2018	Awarded "Company with the Highest Growth" in the 2018 Golden Lion Award for the Listed Companies in the Hong Kong Stock Market by Sina Finance
	The Issuer Group's futures brokerage business was awarded "2018 Fastest Growing Mainland Future Broker Award" by the Hong Kong Stock Exchange
	Awarded "Excellent Hong Kong Wealth Management Institution" in the 2018 China Wealth Management Agency Awards Jun Ding Award by Securities Times
2017	Awarded "Best Performance Broker" in the 2017 "Golden Central" Awards by Zhitong Finance
	Awarded "Annual Star Investment Bank in Capital Market" in the "2017 China Financial Market Awards" by China Financing
	Awarded "Most Valuable Listed Financial Company" in the 2017 Golden Hong Kong Stocks Award by Zhitong Finance
2016	Awarded "The Most Valuable Company to be Invested" in the 2016 China Financing Listed Company Awards organised by the China Financing magazine
	Awarded "Best Growth Performance Brokerage Firm" in the 2016 Most Investors Welcome Greater China Securities Awards by Hong Kong Commercial Daily

ISSUER GROUP CORPORATE STRUCTURE

The following chart shows a simplified group structure of the Issuer Group as at the date of this Offering Circular:



ISSUER GROUP BUSINESS

The Issuer Group provides a wide array of financial services targeted to high net worth individual clients, corporations and financial institutions. Main products and services by business lines of the Issuer Group comprise the following:

Business Lines	Main Products and Services
Brokerage.	• Securities brokerage
	• Futures and options brokerage
	• Insurance brokerage
Margin financing.	• Margin financing
Corporate finance	• Placing, underwriting and sub-underwriting
	• Corporate advisory
	• Listing sponsorship
	• Arrangement
Asset management.	• Provision of fund management
	• Discretionary account management
	• Investment advisory
Financial products and investments	• Proprietary trading and investments

In addition to the products and services above, the Issuer Group also engages in wealth management business.

The following table sets forth a breakdown of the revenue and other income of the Issuer Group by segment for the period indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(HK$)	%	*(HK$)*	%	*(HK$)*	%
Commission and fee income						
Brokerage:	**184,969,148**	**32.1**	**210,818,267**	**33.1**	**157,800,167**	**61.2**
– Commission and fee income from securities brokerage	163,516,796	28.4	191,890,547	30.1	142,392,737	55.2
– Commission and fee income from futures and options brokerage	19,713,674	3.4	17,326,795	2.7	14,803,471	5.8
– Commission income from insurance brokerage	1,738,678	0.3	1,600,925	0.3	603,959	0.2
Corporate finance:	**129,278,835**	**22.4**	**82,620,681**	**13.0**	**45,709,535**	**17.7**
Commission on placing, underwriting and sub-underwriting						
– Debt securities	50,184,052	8.7	50,776,112	8.0	33,802,428	13.1
– Equity securities	9,315,890	1.6	4,618,264	0.7	3,251,007	1.3
– Corporate advisory fee income	3,245,430	0.6	2,965,476	0.5	662,500	0.2
– Sponsor fee income	8,750,000	1.5	1,956,376	0.3	5,650,000	2.2
– Arrangement fee income	57,783,463	10.0	22,304,453	3.5	2,343,600	0.9
Asset Management:	**29,418,036**	**5.1**	**33,101,782**	**5.2**	**19,700,817**	**7.6**
– Asset management fee income	25,527,301	4.4	28,489,935	4.5	17,592,251	6.8
– Investment advisory fee income	3,890,735	0.7	4,611,847	0.7	2,108,566	0.8
Interest revenue						
Financial products and investments:	**58,756,322**	**10.2**	**10,744,657**	**1.7**	**19,295,368**	**7.5**
– Interest income from reverse repurchase agreements	58,756,322	10.2	10,744,657	1.7	6,664,845	2.6
– Interest income from debt investments at fair value through other comprehensive income	–	–	–	–	8,710,680	3.4
– Interest income from debt investments at amortised cost	–	–	–	–	3,919,843	1.5
Margin financing:	**150,832,693**	**26.2**	**95,611,566**	**15.0**	**30,097,837**	**11.7**
– Interest income from margin financing	150,832,693	26.2	95,611,566	15.0	30,097,837	11.7
Net trading and investment income						
Financial products and investments:	**23,445,137**	**4.0**	**203,473,756**	**32.0**	**(14,599,536)**	**(5.7)**
– Interest income from financial assets at fair value through profit or loss	468,847,379	81.3	261,610,580	41.1	277,501,172	107.6
– Dividend income from financial assets at fair value through profit or loss	15,038,786	2.6	8,911,838	1.4	6,279,937	2.4
– Net loss on financial assets at fair value through profit or loss	(376,669,474)	(65.3)	(42,023,342)	(6.6)	(510,821,170)	(198.0)
– Interest income from derivatives	7,056,956	1.2	8,037,051	1.3	6,164,915	2.4
– Net gain/(loss) on derivatives	(60,914,994)	(10.6)	2,354,872	0.4	128,976,195	50.0
– Net gain/(loss) on financial liabilities at fair value through profit or loss	(29,913,516)	(5.2)	(35,417,243)	(5.6)	41,092,493	15.9
– Dividend income from equity securities designated at fair value through other comprehensive income	–	–	–	–	36,206,922	14.0
Total revenue	576,700,171	100.0	636,370,709	100.0	258,004,188	100.0

Brokerage

Overview

The brokerage business of the Issuer Group is conducted through its subsidiaries, CISI Brokerage, which is licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, and CISI Futures, which is licensed to carry on Type 2 (dealing in futures contracts) regulated activity.

The Issuer Group executes trades on its clients' behalf in equity securities and futures contracts traded on the Hong Kong Stock Exchange. The Issuer Group offers brokerage services through its sales team comprising in-house client managers and self-employed account executives, all of whom are licensed under the SFO. Client managers are primarily responsible for providing advice and various client services to its clients, such as receiving and passing client orders or instructions to the operations departments. In addition, client managers may provide investment information (if incidental to its brokerage service under the scope of its Type 1 licence), such as the latest buy/sell prices and trading volume of the relevant stocks, to clients to assist them in placing well-considered orders. The Issuer Group also offers trading services in respect of securities and futures traded on overseas exchanges (including the United States, PRC, Taiwan, Singapore, Australia, the United Kingdom and Germany) through external brokers (or their agent) who are licensed in their respective jurisdictions to trade such securities. The Issuer Group maintains securities and futures trading accounts with its external brokers and have entered into standard brokerage agreements with them covering account opening, manner of giving and receiving instructions to and by the broker and settlement arrangements. The Issuer Group is required to pay commissions and fees to the external brokers at agreed rates for orders the Issuer Group places with them on behalf of its customers. The Issuer Group separately charges its customers commissions and fees at a rate that the Issuer Group considers appropriate after taking into consideration its expenses. The external brokers are responsible for carrying out the transaction instructions of the Issuer Group in a timely and professional manner as well as safekeeping the assets in the designated accounts with them, and the Issuer Group is responsible for timely settlement of the transaction amounts, commissions and fees payable to the external brokers for the orders the Issuer Group placed with them as well as complying with all relevant laws and regulations. Pursuant to the relevant brokerage agreements, the Issuer Group may authorise the external brokers to appoint an agent to handle its orders. The Issuer Group handles orders received from its own clients through the trading accounts maintained with external brokers and its external brokers charge the Issuer Group commission for executing such trades. As the Issuer Group does not have actual brokerage activities in such overseas jurisdictions, the Issuer Group is not required to obtain licences in such jurisdictions.

To leverage its established client network and accumulated experience while minimising its staff costs, the Issuer Group also engages self-employed account executives to execute trades on behalf of its clients. Account executives are not employees of the Issuer Group. They receive a pre-determined percentage of brokerage commission received by the Issuer Group from transactions executed for its clients. For the years ended 31 December 2020, 2021 and 2022, HK$24.6 million, HK$15.9 million and HK$23.3 million (or 7.2 per cent., 4.9 per cent. and 10.4 per cent. of its total commission and fee income) was paid to account executives as sales commission. The Issuer Group enters into agency agreement with its account executives setting out the role of the account executives, commission sharing arrangement, trading arrangements and termination events. The ratio of commission sharing is negotiated on a case-by-case basis, and is determined by reference to the prevailing market rate, mutual negotiation, track record and performance of these account executives. The Issuer Group closely monitors their performance through reviewing daily, monthly and year-to-date reports. In case where any loss or liability incurred by the Issuer Group was due to the fraud or wilful default of the account executives engaged by the Issuer Group or where there is any unsettled trade or margin loan balance due from the client referred by them, the responsible account executives indemnify the Issuer Group for any such loss or liability. There is no material difference between the in-house client managers of the Issuer Group and the self-employed account executives in terms of their professional qualifications as well as the licencing requirements, and all of them are licensed to carry on regulated activities. These account executives maintain their relevant licences with CISI Brokerage and CISI Futures only and thus are only allowed to conduct the relevant regulated activities in such capacities.

The Issuer Group will only take orders or instructions from clients who have completed the account opening procedures of the Issuer Group, including the signing of account opening forms, client agreements and, in certain cases, letters of authorisation or powers of attorney. Clients are required to agree that neither the Issuer Group nor any of its officers, employees or agents shall be liable to them for any loss or liability which they may incur (including losses and liabilities resulting from any transactions involving securities trading executed by any account executive) unless due to fraud or wilful default on the Issuer Group's part. Clients take full responsibility for all trading decisions in their securities trading accounts and the Issuer Group is responsible only for the execution, clearing and carrying out of transactions in such accounts.

To personalise its brokerage services, depending on the specific needs of its clients, the Issuer Group also offers ancillary services such as securities custody, dividend collections, and IPO applications, and the Issuer Group charges handling/administrative fees for providing such services.

Brokerage business of the Issuer Group has been one of its core business segments and revenue from this segment has historically represented a significant portion of the total revenue of the Issuer Group. For the years ended 31 December 2020, 2021 and 2022, commission and fee income from the brokerage business amounted to HK$185.0 million, HK$210.8 million and HK$157.8 million, respectively, representing 32.1 per cent., 33.1 per cent. and 61.2 per cent. of the total revenue of the Issuer Group, respectively.

Securities brokerage

The Issuer Group engages in the trading of various securities products on behalf of its clients, including:

- ***Stocks***: stocks of listed companies on the Hong Kong Stock Exchange and other stock exchanges worldwide, including the United States, Taiwan, Singapore, Australia, the United Kingdom, and Germany. The Issuer Group is a China Connect Exchange Participant, which allows it to participate in the Shanghai-Hong Kong Stock Connect (i.e. trading eligible stocks listed on the Shanghai Stock Exchange);

- ***Funds***: authorised funds and ETFs;

- ***Bonds***: treasury bonds, corporate bonds and convertible bonds; and

- ***Derivatives***: Hong Kong Stock Exchange traded warrants, CBBCs and stock options.

The gross commission income of the Issuer Group for its securities brokerage business for the years ended 31 December 2020, 2021 and 2022 was HK$163.5 million, HK$191.9 million and HK$142.4 million, respectively.

Futures and options brokerage

The Issuer Group provides its futures and options brokerage services through its subsidiary CISI Futures. The Issuer Group offers a diverse range of local and global futures and options contracts trading services, including (a) financial futures, namely, index futures, treasury-bond futures, currency futures and interest rate futures; and (b) commodity futures, such as metal futures, energy futures and agriculture futures. The futures trading system of the Issuer Group has been connected to the latest Automatic Order Matching and Execution System (CLICK TRADE XT), through which transaction instructions are delivered to the Futures Exchange for order matching, execution and settlement to be carried out efficiently. Similar to its securities brokerage services, the Issuer Group also offers futures trading services on overseas exchanges through external brokers, and these brokers (or their agent) are licensed in their respective jurisdictions to trade such futures. The Issuer Group enters into standard agreement with these external brokers, covering the services provided to the Issuer Group, account opening, deposit requirements, manner of giving and receiving instructions and settlement arrangements. As the Issuer Group does not operate in such overseas jurisdictions, the Issuer Group is not required to obtain licences in such jurisdictions. In addition to its online trading platform, the Issuer Group also operates a 24-hour hotline to accept orders placed by clients over the telephone for trading in over 10 markets worldwide. Futures brokerage clients are required to maintain its minimum deposit requirement before they may execute trades on futures contracts through its platforms.

Gross commission income for the futures and options brokerage business of the Issuer Group for the years ended 31 December 2020, 2021 and 2022 was HK$19.7 million, HK$17.3 million and HK$14.8 million, respectively.

Insurance brokerage

The Issuer Group provides its insurance brokerage services through its subsidiary CISI Wealth Management. The Issuer Group offers a diversified portfolio of third party insurance products, including life insurance, general insurance and unit-linked investment policies.

The gross commission income for the insurance brokerage business of the Issuer Group for the years ended 31 December 2020, 2021 and 2022 was HK$1.7 million, HK$1.6 million and HK$0.6 million, respectively.

Brokerage commission and fee income

The Issuer Group charges commission and fees to customers who trade through the Issuer Group's trading platforms. The brokerage commission for each client varies and is generally determined by reference to the prevailing market rates, historical and future trading volume, the channel for placing orders, the client's financial position and credit profile and the total value of the position (if any) in the cash account(s) maintained by each client with the Issuer Group. Commission and fee income revenue from the brokerage business of the Issuer Group decreased from HK$210.8 million for the year ended 31 December 2021 to HK$157.8 million for the year ended 31 December 2022, representing a year-on-year decrease of 25.1 per cent., which was due to a decrease in commissions and fee income from securities brokerage business.

Trading platforms

To increase the convenience for its clients and expand its client reach, the Issuer Group provides its clients with multiple trading platforms. Clients can trade via telephone, personal computer, smartphone or tablet and place orders or instructions through such channels. With the increasing proliferation of smartphones and other mobile devices, since 2012 the Issuer Group has rolled out multi-platform electronic trading services, allowing its clients to use their smartphones and tablets to obtain real-time access to its brokerage services, obtain the latest price quotes, perform transactions in respect of products covering Hong Kong stocks, Shanghai-Hong Kong Stock Connect, B shares, United States stocks, Canadian stocks, local futures and global futures, and monitor transaction status online everywhere. Online buy/sell orders are automatically transmitted to its electronic trading system which is connected to the Hong Kong Stock Exchange's trading system and provides automatic matching and execution of buy/sell orders received from clients. Therefore, no involvement of dealers is required for client trading activities performed online.

Corporate finance

The Issuer Group provides corporate finance services, including fund raising services (such as equity and debt securities underwriting), listing sponsorship services and financial advisory services to institutional clients. For the years ended 31 December 2020, 2021 and 2022, segment revenue from the corporate finance business amounted to HK$129.3 million, HK$82.6 million and HK$45.7 million, respectively, representing 22.4 per cent., 13.0 per cent. and 17.7 per cent. of the total revenue of the Issuer Group during the corresponding periods, respectively.

The corporate finance unit of the Issuer Group has responsible officers for Type 6 (advising on corporate finance) regulated activities. Certain of these responsible officers are sponsor principals and others are responsible officers for Type 1 (dealing in securities) regulated activities under the SFO. The Issuer Group charges commission on placing, underwriting and sub-underwriting services, corporate advisory services, sponsor and service fees from the provision of listing sponsorship services and arrangement fees from the provision of fixed-income structured products issuance services.

Placing, underwriting and sub-underwriting services

The Issuer Group underwrites IPOs and secondary offerings, rights issues and private placements. The Issuer Group receives underwriting commissions based on the size and type of fund raising, complexity of the transaction as well as market conditions. For the year ended 31 December 2022, the Issuer Group completed 116 bond underwriting projects, representing an increase of 33 per cent. from 2021, with the total underwriting amount of US$1,944.3 million. The total amount of equity financing projects of the Issuer Group in 2022 amounted to US$58.3 million. The Issuer Group's fee income from placing, underwriting and sub-underwriting services was HK$59.5 million, HK$55.4 million and HK$37.1 million for the years ended 31 December 2020, 2021 and 2022, respectively. Equity securities commission revenue was HK$9.3 million, HK$4.6 million and HK$3.3 million for the years ended 31 December 2020, 2021 and 2022, respectively. Debt securities commission revenue was HK$50.2 million, HK$50.8 million and HK$33.8 million for the years ended 31 December 2020, 2021 and 2022, respectively.

Corporate advisory

The Issuer Group provides corporate advisory services in various transactions for its clients, including, among others, advice for mergers and acquisitions transactions and independent financial advice for listed companies. The Issuer Group charges advisory fees based on the type and size of the transactions, duration of the engagement, complexity of the transaction and the expected resources required.

For the years ended 31 December 2020, 2021 and 2022, fee income from the Issuer Group's corporate advisory services was HK$3.2 million, HK$3.0 million and HK$0.7 million, respectively.

Listing sponsorship

The Issuer Group provides listing sponsorship services for corporate clients who wish to apply for a listing on the Hong Kong Stock Exchange. The Issuer Group received sponsorship fees of HK$8.8 million, HK$2.0 million and HK$5.7 million for the years ended 31 December 2020, 2021 and 2022, respectively.

Arrangement

The Issuer Group acts as an arranger for structured products. For the years ended 31 December 2020, 2021 and 2022, the Issuer Group received arrangement fee income of HK$57.8 million, HK$22.3 million and HK$2.3 million, respectively.

Asset management

The Issuer Group commenced its asset management business in 2012. The asset management business of the Issuer Group includes asset management services and investment advisory. As at 31 December 2022, the Issuer Group had 28 asset management products and the scale of assets under management was HK$6,360 million. For the years ended 31 December 2020, 2021 and 2022, the Issuer Group received asset management income of HK$29.4 million, HK$33.1 million and HK$19.7 million, respectively.

The asset management services provided by the Issuer Group primarily include:

- *Collective investment scheme*: the Issuer Group manages client assets for a group of clients while keeping client assets in designated accounts pursuant to applicable laws and in accordance with collective asset management contracts. The Issuer Group launched its first collective investment scheme in 2012.

- *Discretionary account management*: the Issuer Group manages assets for a single client pursuant to a discretionary mandate between the client and the Issuer Group through a discretionary account. The Issuer Group launched its discretionary account management service in 2013 and offers customised investment strategies tailored to each client's background, financial condition, risk sensitivity, investment goals and other factors.

- *Investment advisory*: the Issuer Group provides investment advice mainly to institutional clients, which are mainly asset management companies. The Issuer Group also provides investment advisory service for individual and corporate clients, as well as offshore consulting services for QDII products. The Issuer Group charges investment advisory fees based on the nature of the advice the Issuer Group provides and mutual negotiation. The Issuer Group received investment advisory fees of HK$3.9 million, HK$4.6 million and HK$2.1 million for the years ended 31 December 2020, 2021 and 2022, respectively.

Margin financing[3]

The margin financing business of the Issuer Group is conducted by its subsidiary CISI Brokerage, which is licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. Clients who obtain margin financing from CISI Brokerage may only use such financing for securities trading through their accounts with the Group. Margin financing services are provided by the Issuer Group generally for an initial term of 12 months subject to renewal, and its agreements with clients typically include terms such as the credit line, collateral requirements, margin call policy, interest rate and risk disclosure. The credit line (i.e. lending limit) the Issuer Group grants to margin clients varies for each client. Margin clients must also satisfy its margin requirements. Every margin client maintains a required amount of cash deposit and/or acceptable securities in line with the approved margin ratio with the Issuer Group when the Issuer Group extends margin loans to him/her or it. See "– *Collateral*" for details.

As at 31 December 2022, the total margin loan balance of the Issuer Group (including the provision of impairment allowance) of HK$532 million decreased when compared with HK$806 million as at 31 December 2021. The Issuer Group conducts a regular review of its clients' margin account portfolio and financial status, and impairment provisions are made for the relevant margin loans pursuant to the Issuer Group's internal impairment management method and based on the expected credit loss model. If necessary, the Issuer Group undertakes clean-up and recovery actions, including legal claims. In line with regulatory requirements set out by the SFC intended to further enhance the risk control procedures used to monitor margin financing, the Issuer Group will further limit the total scale of its margin financing business while adjusting and optimising customer structure and income structure.

Collateral

When the Issuer Group grants margin loans, the Issuer Group requires its clients to provide sufficient collateral to cover the loan amount. Normally only securities quoted on the Hong Kong Stock Exchange are eligible as collateral. A list of eligible securities in relation to which the Issuer Group grants margin loans is posted on its website. The Issuer Group may also accept other marketable assets comprising securities traded on foreign exchanges and bonds on a case-by-case basis after review by its senior

---

[3] *The Issuer Group conducted money lending business through its subsidiary, China Industrial Securities International Finance Limited, which was a licensed money lender under the MLO. The Issuer Group ceased its money lending business on 12 February 2020.*

management. Based on its policy, when the Issuer Group grants the loan, it sets a margin ratio (i.e. expressed, as the ratio of the margin loan advanced to the market value of the collateral) from 10 per cent. to 70 per cent. which each client is required to maintain during the term of the loan. The margin ratio represents the maximum percentage of financing its client can receive against the value of collateral in his or her account. In the event the Issuer Group notices that the ratio of the outstanding margin loan granted to the relevant client to the value of the collateral provided by that client has reached its approved ratio, a margin report will be automatically generated by the system of the Issuer Group and it is the Issuer Group's standard procedure to issue a margin call and request that client to fulfil the margin call either by depositing additional funds to the respective securities margin accounts, closing out the securities or pledging or providing additional collateral to top up the market value of pledged securities to restore his margin ratio to the approved ratio and/or providing further security to cover its exposure where necessary. Criteria assessed when setting the margin ratio includes market capitalisation, type, liquidity and volatility of the securities provided and the financial position of the relevant listed issuers.

In the event that its client fails to fulfil its margin call within a prescribed time period, the Issuer Group is entitled to exercise its rights to mandatorily liquidate the pledged securities in accordance with the client agreement for margin accounts. The Issuer Group may defer the mandatory liquidation process after assessment of the recent performance of the collateral (such as its liquidity and price), the prevailing market conditions, the potential impact of mandatory liquidation on the market price of the collateral and any potential loss that may arise from such exercise, balanced against the recoverability of the margin loans, taking into account the quality of the collateral, the trading history and credit profile of its client, whether any additional collateral or financial comfort or further security could be made available to the Issuer Group, and the decision on deferral is subject to the approval of the risk management department of the Issuer Group. In such event, the trading accounts of the relevant client will be suspended from trading, its credit department will closely monitor the positions of the collateral held by such client, request for additional collateral of sufficient value or further security to cover the shortfall, realise the collateral or take debt collection action as a last resort.

For the years ended 31 December 2020, 2021 and 2022, there were instances where the day-end margin ratios of certain margin accounts exceeded 100 per cent. The Issuer Group issued margin calls to those clients in accordance with its policy as mentioned above. The actual day-end margin ratio in respect of each margin account could vary greatly due to daily movements of the market value of the listed securities pledged as collateral. See "*Risk Factors – The Issuer Group's margin financing business could be materially and adversely affected by a decline in market value of a client's collateral or a client's default in repayment*" for the associated risks relating to this business line. Please also see "*Issuer Group Risk Management and Internal Control – Risk management relating to the Issuer Group's margin financing business*" for further details of its risk management measures.

Interest income

The Issuer Group charges interest on margin financing. For the years ended 31 December 2020, 2021 and 2022, the interest rates the Issuer Group charged on margin financing ranged from Hong Kong dollar Prime Rate minus 0.95 per cent. to Hong Kong dollar Prime Rate plus 9.75 per cent. per annum. The Issuer Group determines and fixes the interest rates by reference to the prevailing market interest rate, risk profile, size and quality of the collateral, creditworthiness, settlement history, trading volume and years of business relationship of its client, and such rates are subject to change from time to time in response to changing market conditions and its business strategies.

The Issuer Group's interest income from margin financing business was HK$150.8 million, HK$95.6 million and HK$30.1 million for the years ended 31 December 2020, 2021 and 2022, respectively.

Loan management

Loan application

Potential clients of the Issuer Group's margin financing services complete its "know-your-client" procedure, which consists of obtaining and reviewing various identification documents. Each applicant signs the client agreement and application form with the Issuer Group before the Issuer Group extends any loan to him/her or it.

Credit assessment

The Issuer Group completes credit assessments for applicants for its loans and financing services. In assessing their creditworthiness, the Issuer Group's primary focus is on the collateral and security (if any) offered as well as the applicant's background. The Issuer Group evaluates collateral according to various matrices, such as their liquidity, market value, volatility and type. In addition to the collateral, the credit assessment department of the Issuer Group takes into account the client's occupation, financial condition, reputation, investment purpose, securities concentration, trading and settlement history with the Issuer Group, asset proof and credit history, which facilitate the Issuer Group's assessment on the client's repayment ability. Where necessary, the Issuer Group conducts credit search with external credit check agencies to obtain background information and credit history of its client.

Loan approval

The risk management department of the Issuer Group reviews and evaluates the credit assessment results together with the documents offered in support of the loan application. Based on its credit assessment and upon application by its client, the Issuer Group sets the appropriate credit line for each client. A basic credit line of HK$200,000 will be made available for a new client at the discretion of the Issuer Group's risk management department. The risk and credit management committee of the Issuer Group approves and, where appropriate, revises the credit line extended to each client upon request and completion of its internal assessment procedures.

Post-loan monitoring

The Issuer Group's securities back office system generates a daily margin report, which is reviewed by the risk management department and the senior management of the Issuer Group. The risk management department will conduct more frequent reviews on the securities portfolio provided by its clients as collateral if the market value of such collateral is experiencing material fluctuation. In the event of any adverse movement in the value of the collateral such that the ratio of the outstanding margin loan to the value of the collateral of the relevant client has reached the approved ratio or the value of the collateral provided by the relevant client is considered to be insufficient to cover its exposure with respect to the loan granted to that client, the Issuer Group will issue margin calls via phone call, e-mail, SMS or other means as the Issuer Group considers appropriate and requests such client to fulfil the margin call either by depositing additional funds, closing out the securities, pledging additional securities to top up the market value of pledged securities and/or providing further security to cover any shortfall, within a prescribed period. A client subject to a margin call is not allowed to execute further securities purchases without the approval of at least two members of the risk and credit management committee of the Issuer Group, unless such client has fulfilled the margin call within the prescribed time limit, either within the same day or by 3:30 p.m. on the next trading day. In the case a client fails to do so or the ratio of the outstanding loan reaches or exceeds 140 per cent. of the value of the collateral or 85 per cent. of the total value of the securities held in the cash and margin accounts, unless the Issuer Group agrees to defer the mandatory liquidation process, the Issuer Group may exercise its rights to mandatory liquidate the collateral and take debt collection action for any shortfall in accordance with the agreement signed with the client and the Issuer Group's policies as the last resort. The Issuer Group's client agreement stipulates that in circumstances where the Issuer Group is entitled under its client agreement to carry out the sale or disposal of the collateral, the client agrees that the Issuer Group has the right and power to sell or dispose of any collateral held by the Issuer Group at its absolute discretion.

Financial products and investments

The financial products and investments business of the Issuer Group mainly includes proprietary trading and investments in funds, debt and equity securities, fixed income, derivatives and other financial products. For the years ended 31 December 2020 and 2021, the Issuer Group recorded a net gain on financial assets at fair value through profit or loss (including interest income and dividend income) of HK$107.2 million and HK$228.5 million, respectively, representing approximately 18.6 per cent. and 35.9 per cent. of its total revenue, for the same periods. For the year ended 31 December 2022, the Issuer Group recorded a net loss on financial assets at fair value through profit or loss (including interest income and dividend income) of HK$227.0 million. Revenue from the financial products and investment business of the Issuer Group for the years ended 31 December 2020, 2021 and 2022 was HK$82.2 million, HK$214.2 million and HK$4.7 million, respectively.

Investment strategies

The Issuer Group's investment strategy is to actively capture non-high risk opportunities to increase returns on its investments while ensuring sufficiency of working capital and protection of its principal invested. The Issuer Group generally aims to invest into bonds and stocks where the Issuer Group has an in-depth understanding of the relevant issuer and believes there are opportunities for value investing. The Issuer Group's strategies are to mainly invest in debt securities to increase returns while ensuring principal protection. For equity investments, the Issuer Group seeks to adopt a "value investing" strategy where it aims to identify companies with good growth prospects and invest in stock which are relatively undervalued in the market, after conducting in-depth research and detailed analysis. As the Issuer Group continues to expand its financial products and investments business, its investment strategies evolve to accommodate its business need. The key aspects of the Issuer Group's investment strategies are summarised below:

General selection criteria of debt securities	• The Issuer Group invests in bonds normally with investment grade ratings (i.e. bonds with BBB-rating or above by international rating agencies) • The Issuer Group may also invest in non-investment grade bonds with higher return potentials and issued by companies which the Issuer Group has in-depth understanding after applying strict credit selection process • Duration of the Issuer Group's bond portfolio is generally around five years, with flexibility based on the investment decision committee's assessment by reference to the market development, macro-economic conditions, expected investment return and diversity in bond duration to optimise investment return
Asset allocation strategy	• The Issuer Group's bond portfolio shall comprise stable-type bonds which we intend to hold in the longer term and trading-type bonds which the Issuer Group intends to actively trade in the shorter term • Stable-type bonds are investment-grade bonds with BBB+ rating or above and shall comprise at least 60 per cent. of the Issuer Group's total investment portfolio. No single stable-type bond investment shall comprise over 15 per cent. of the total investment portfolio of the Issuer Group

- Trading-type bonds are investment-grade, high-yield and convertible bonds which the Issuer Group intends to earn profit from active trading. For trading-type investment-grade bonds, no single bond shall comprise over 10 per cent. of the total investment portfolio. For trading-type high-yield and convertible bonds, no single bond shall comprise over five per cent. of the total investment portfolio of the Issuer Group

- Reasonable diversity in overall debt securities portfolio in terms of country of domicile and the industry in which the issuer operates

Debt securities investment strategies

- Duration deviation – based on the Issuer Group's projections of the future interest rate level, duration and investment variety of its portfolio will be reasonably allocated and the impact of changes in market interest rates on the bond portfolio will be constrained to a certain extent. If interest rate is expected to enter an upward cycle, the term of the bond portfolio will be shortened or allocation of floating-rate bonds will be increased for the purpose of lowering interest rate risk. If interest rate is expected to enter a downward cycle, the term of the bond portfolio will be increased or allocation of floating-rate bonds will be decreased for the purpose of lowering interest rate risk

- Yield curve allocation – based on the remaining term of the portfolio and the Issuer Group's prediction of changes in the shape of the yield curve, long-, medium- and short-term bonds will be allocated in order to earn profit from changes in the relative prices of long-, medium and short-term bonds

- Type selection – when making allocation amongst fixed income securities, the Issuer Group will consider liquidity management requirements for determining different allocations amongst different types of fixed income securities. Specifically, credit bonds have higher yield but lower liquidity, while government bonds have lower yield but higher liquidity. Therefore, in determining the overall bond allocation, the Issuer Group will consider the profitability of the credit bonds and the liquidity of government bonds, in order to maintain a balanced and comprehensive allocation

- Credit bond (i.e. bonds other than treasury bonds) – the Issuer Group will conduct a comprehensive analysis of macro economy, interest rate market, industry fundamentals and corporate fundamentals to determine the credit premium of credit bonds relative to interest rate products, and adjust the investment percentage of credit bonds based on market sentiment dynamics, in order to obtain excess returns from the credit bonds. Specifically, under the premise of risk control, the selection of individual credit bond will be focused on the actual creditworthiness rather than credit rating of an individual bond. Additionally, anticipated upgrading of credit rating, special advantageous terms, relatively higher risk-adjusted rate of return and market yield curve will also be considered in bond selection

Risk management and tolerance	•	The Issuer Group has control functions in place which are indicators performed jointly by its investment team, operation team, financing team, with reporting lines to its investment management committee and its deputy chief executive officer
	•	Approval from the Issuer Group's investment decision committee is required for any investments exceeding our pre-set trading limits or material adjustments in asset allocation
	•	Senior management reviews investment positions and valuation reports on a daily, weekly and monthly basis
	•	For individual bonds, the Issuer Group monitors daily price movement. For example, any five per cent. decrease from initial investment cost will be put on the Issuer Group's monitor list, any 10 per cent. decrease from initial investment cost will trigger cut-loss. For high-yield bonds, the Issuer Group adopts a stricter cut loss mechanism, any five per cent. decrease from initial investment cost will triggers cut-loss
	•	For portfolio management, the Issuer Group's stop-loss mechanism is triggered if the weekly accumulated loss exceeds one per cent. of the authorised investment capital, or quarterly accumulated loss exceeds 1.5 per cent. of the authorised investment capital and the Issuer Group will liquidate its whole portfolio once our stop-loss mechanism is triggered
	•	For trading-type bonds, the Issuer Group monitors its sensitivity to interest rates movements, use a quantitative indicator to measure bond price sensitivity to interest rate movement and use bond futures to hedge interest rates risks. Hedge level is between 50 per cent. and 100 per cent. of interest rate risk of trading-type bonds
	•	For stress management, the Issuer Group conducts a regular portfolio valuation test and perform ad hoc valuation during volatile market movements to generate a real-time stress report for assessment for its senior management
	•	For further details, see "*Issuer Group risk management and internal control – Risk management relating to our financial products and investments business*"

The Issuer Group's investment decision committee is responsible for formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment activities. The Issuer Group's fixed income department is responsible for the operational aspects of proprietary trading in accordance with the limits, strategies and guidelines set by the investment decision committee and shall report regularly to the investment decision committee. Any proposed trades which exceed the authorised limit must first be approved by the investment decision committee. The Issuer Group may decide to hold 100 per cent. of its proprietary assets in cash over a period of time should the investment decision committee deem such strategy to be prudent. Subject to market conditions and its risk assessment, the Issuer Group strives to seek suitable investment opportunities with an aim to achieving stable return on its cash balance while managing risk by implementing its trading and risk management strategies. The Issuer Group is in the process of adopting more comprehensive risk management measures such as establishing quantitative limits, warning levels or other measures based on VaR (value at risk) data. To manage the risk exposure, the Issuer Group has in place a stop-loss mechanism for investment products. The Issuer Group also has adopted other risk control measures such as pre-set trading limits and concentration ratio.

The Issuer Group closely monitors its investment portfolio in accordance with various guidelines and risk tolerance indicators set by its investment decision committee. For details of its risk management in relation to this business line, see "*Issuer Group risk management and internal control – Monitoring and management of major risks – Risk management relating to the Issuer Group's financial products and investments business*".

The Issuer Group actively seeks suitable investment opportunities and had acquired and held investments in debt securities with the total amount of HK$3,243.8 million as at 31 December 2022. Set forth below are the breakdown of the equity securities and debt securities, held by the Issuer Group under its financial products and investments business as at 31 December 2022:

	As at 31 December 2022	
	(HK$ in million)	%
Portfolio by issuer ratings (by international rating agencies)		
AAA to A-	765.5	23.6
BBB+ to BBB-	424.9	13.1
BB+ and below	6.5	0.2
Non-rated[(1)]	2,046.9	63.1
Total	3,243.8	100.0

Note:

(1) Non-rated financial assets mainly represent debts instruments issued by special purpose entities, banks and other financial institutions and large corporations in the industries of industrial and construction, real estate, chemicals, metals and mining, transportation, and trade and retail.

	As at 31 December 2022	
	(HK$ in million)	%
Concentration by sector		
Banks	422.4	13.0
Other financial institutions	436.9	13.5
Government	120.2	3.7
Corporate	2,264.3	69.8
Total	3,243.8	100.0

	As at 31 December 2022	
	(HK$ in million)	%
Concentration by location		
China	1,722.2	53.1
Europe	162.1	5.0
Hong Kong	544.7	16.8
Other parts in Asia	67.9	2.1
Australia	47.2	1.4
America	699.7	21.6
Total	3,243.8	100.0

Overseas Research Centre

The Issuer Group jointly established its research capability, the Overseas Research Centre, with its parent, Industrial Securities. The Overseas Research Centre is the earliest established and one of the most comprehensive overseas market research teams of any Chinese securities enterprise. The Issuer Group's research team focuses on providing research of China-affiliated enterprises listed in Hong Kong and overseas markets, offering quality research support services to institutional investors both home and abroad and assisting them in embracing various challenges amidst the surging wave of overseas assets allocation. The Issuer Group also closely tracks the business growth of target listed companies and conduct in-depth analyses of their corporate fundamentals.

ISSUER GROUP MAJOR CLIENTS

The Issuer Group serves a diverse base of clients, including individual, corporate and institutional entities. Major clients of the Issuer Group are mainly high net worth individuals and corporate clients. The Issuer Group's clients are mainly individual investors and based in the PRC. These clients are recruited from other securities and brokerage firms in Hong Kong by the Issuer Group's account executives or its in-house client managers through their established network. There are also clients who opened trading accounts with the Issuer Group in Hong Kong due to the brand recognition associated with the Guarantor in the PRC.

ISSUER GROUP COMPETITION

The financial service industry in Hong Kong is highly competitive with a large number of participants in the market. Among all these players, international investment banks and large-scale mainland PRC-funded players occupied a comparatively large market share in terms of number of transactions and turnover.

To maintain its market position, the Issuer Group has to compete effectively over competitors in terms of capital resources, pricing, client base, service coverage and quality, talents and brand recognition. Competitors of the Issuer Group may have stronger capital resources, greater brand recognition, more human resources, a wider range of services and longer operating histories than that of the Issuer Group. Apart from large multinational financial institutions, the Issuer Group also faces competition from newly established local medium and small-sized financial services firms which offer a similar range of services. Despite keen competition, the Issuer Group believes that its core competitive advantages, sound business planning and the contributions of its senior management as more particularly set out in "*Description of the Issuer Group – Issuer Group competitive strengths*" and "*Description of the Issuer Group – Issuer Group business strategies*" have allowed the Issuer Group to rapidly stand out as a reputable full-service securities group based in Hong Kong, and to capture further market share as the Issuer Group grows its business.

ISSUER GROUP INFORMATION TECHNOLOGY

To capture business opportunity from online trading which is becoming increasingly popular as well as to enhance its client's trading experience with the Issuer Group, leveraging on the information technology and software program developed by and acquired from third party vendors, the Issuer Group is able to offer multi-product online electronic trading services, through which clients can easily perform transactions over the web through computers and mobile phones, gain access to the Issuer Group's products which cover Hong Kong stocks, Shanghai-Hong Kong Stock Connect, B shares, United States stocks, Canadian stocks, local futures and global futures. To cope with the increasing use of the internet as the trading platform, the Issuer Group has established a system of risk management tools to identify and monitor risks, precisely to respond to risk in an efficient manner. In terms of information technology infrastructure, the Issuer Group uses VMware which provides rapid upgrading of the system, the use of multi-layer network architecture, Web application firewall, digital security authentication, and intrusion prevention systems, to provide comprehensive security for corporate networks.

ISSUER GROUP EMPLOYEES AND ACCOUNT EXECUTIVES

The Issuer Group believes that its long-term growth depends on the knowledge, experience and continuing commitment of its employees. The human resources department of the Issuer Group is in charge of the employee recruitment, training, compensation and performance appraisal. As at 31 December 2022, the Issuer Group had 193 employees, including directors.

ISSUER GROUP INSURANCE

The Issuer Group has taken out insurance for its regulated activities for loss of client assets due to theft by employees or other fraudulent acts as stipulated in the insurance policy as required under the Securities and Futures (Insurance) Rules. The Issuer Group also takes out employee compensation insurance for its employees. As the major aspects of its operation have been covered by insurance, the Issuer Group believes that it has taken out sufficient insurance policies over its assets and employees which are customary policies and in line with industry practice.

ISSUER GROUP LEGAL AND REGULATORY COMPLIANCE

Licensing requirements

Regulated activities

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing the Issuer Group's business are the SFC and the Hong Kong Stock Exchange. The Issuer Group's principal business and its responsible personnel are subject to a number of legislations and regulations and the respective rules of the SFC, the Hong Kong Stock Exchange and the Listing Rules.

In particular, the Issuer Group is required to be licensed with the SFC and be admitted as a Stock Exchange Participant to carry on its business. Set out below is a summary of the material licences and trading rights currently held by members of the Issuer Group:

(a) Licence under SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

(b) Stock Exchange Participant (Participant ID: 01938)

(c) Stock Exchange Trading Right (Distinctive No. 1050)

(d) Stock Exchange China Connect Exchange Participant (Participant ID: 01938)

(e) Stock Exchange Options Trading Exchange Participant (HKATS Customer Code: IND)

(f) The SEHK Options Clearing House Limited (SEOCH) Direct Clearing Participant (DCASS Customer Code: CIND)

(g) HKSCC China Connect Clearing Participant (Participant ID: B01938) (h) HKSCC Direct Clearing Participant (Participant ID: B01938)

(h) Futures Exchange Futures Commission Merchant (HKATS Customer Code: IND)

(i) HKFE Clearing Corporation Limited (HKCC) Clearing Participant (DCASS Customer Code: CIND)

According to Part 1 of Schedule 5 of the SFO, Type 8 regulated activity is "securities margin financing". According to Part 2 of Schedule 5 of the SFO, "securities margin financing" means providing a financial accommodation in order to facilitate acquisition of securities and the continued holding of those securities, but does not include, *inter alia*, the provision of financial accommodation by a corporation licensed for Type 1 regulated activity. As the brokerage business of the Issuer Group is licensed to carry on Type 1 regulated activity (dealing in securities), it is excluded from the definition of "securities margin financing" as defined under Part 2 of Schedule 5 of the SFO and is not required to be further licensed to carry on Type 8 regulated activity (securities margin financing).

The above licences and trading rights of the Issuer Group have no expiry date and will remain valid unless they are suspended or revoked by the relevant licence-granting authority.

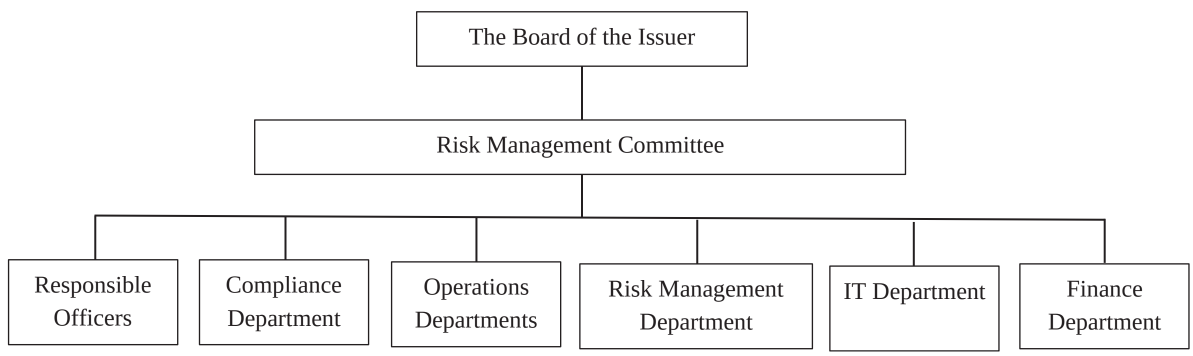
Legal proceedings

As at the date of this Offering Circular, neither the Issuer nor any of its subsidiaries is engaged in any legal proceedings or claims of material importance and no legal proceedings or claims of material importance are known to its directors to be pending or threatened against the Issuer or any of its subsidiaries.

ISSUER GROUP RISK MANAGEMENT AND INTERNAL CONTROL

Risk management framework and mechanism

The Issuer Group has established a comprehensive risk management organisational structure consisting of the board, management, the risk management committee, risk management department, functional departments, and subsidiaries. The board shall undertake the ultimate responsibility for comprehensive risk management, be responsible for the supervision and guidance over the risk management of the Issuer, approve the risk appetite of the Issuer, and control the overall risk of the Issuer within a reasonable range to ensure that the Issuer can effectively manage the risk control in business activities. The management shall lead and manage various risks in the course of business of the Issuer and promote the planning, construction and implementation of the comprehensive risk management system of the Issuer. The risk management committee under the management shall carry out the risk management work of the Issuer with the authorisation of the management, be responsible for guiding, supervising and coordinating the implementation of the work related to risk management of the Issuer, provide advice on the improvement and updating of the organisational system, and promote the comprehensive risk management construction of the Issuer. Under the leadership of the chief risk officer, the risk management department shall organise and promote the comprehensive risk management work of the Issuer, organise to conduct identification, evaluation, monitoring, analysis and tests on the overall risk, aggregate risk faced in the course of operation and management of the Issuer and its changing trend, and put forward corresponding control measures and solutions.



The Issuer Group has built three lines of defence for risk management, of which the first line of defence is effective self-control by functional departments and subsidiaries, the second line of defence is professional risk management by the risk management department before and during business operations, and the third line of defence is post-supervision and evaluation by the audit department. The design of the "three lines of defence"(三道防線) of risk management governance structure has effectively provided guarantees for the efficiency and effectiveness of risk management.

The Issuer Group has implemented the risk appetite, quota management and authorisation management system, followed the business philosophy of "stable operation for sustainable development"(穩健經營、長遠發展) based on the neutral and prudent risk appetite determined by the Board, and adhered to the development idea of seeking progress while keeping performance stable, conducted precise identification, careful evaluation, dynamical monitoring and overall management on various risks, such as liquidity risk, market risk, credit risk, operational risk, reputation risk, and compliance and legal risk in a timely manner in the course of business of the Issuer to ensure that various risks exposed to the Issuer were controlled within a reasonable range that is measurable, controllable, acceptable and without spillover. The Issuer Group has endeavored to build a sound organisational structure, operational management system, quantifiable risk indicator system, reliable information system and professional talent team, so as to realise the detectability, measurability, analysis and risk-response in risk management, facilitating the healthy development of the business of the Issuer Group in the long run and the achievement of strategic goals.

Credit risk

The credit risk exposed to the Issuer Group refers to the risk of losses to the Issuer Group due to non-performance by the debtor or counterparty. The Issuer Group has established a risk management committee to review and monitor the implementation of credit risk management policies, and to update relevant risk management policies to adapt to changes. The Issuer Group has also set up an investment and financing business review committee, which is responsible for reviewing investment and financing projects and re-examining the policies relating to credit approval, transaction limits and credit limits.

The Issuer Group has regularly re-examined the implementation of existing investment and financing projects and margin loans to assess the credit risk exposure, and has taken appropriate measures to mitigate risks.

The Issuer Group has closely monitored the risk limit indicators of credit business, adopted measures such as daily mark-to-market and timely warning, and established a public opinion information monitoring mechanism for debtors, collaterals and counterparties to effectively respond to sudden public events and formulate response plans in advance. It has conducted regular stress tests, taken appropriate measures to make up for or minimise losses to properly resolve risks if the possibility of non-performance of customers was foreseen, and earnestly conducted post-investment management. It made use of reasonable and supportable forward-looking information to conduct impairment measurement for financial assets on a regular basis and made timely provision for expected credit losses based on its business continuity and in accordance with the latest standards for financial instruments.

Liquidity risk

The liquidity risk exposed to the Issuer Group refers to the risk of failure to obtain sufficient capital at reasonable cost in time to repay debts which are falling due, fulfill other payment obligations and meet the liquidity requirement for ordinary business operation.

The Issuer Group has formulated liquidity risk management system and process to identify, address, monitor and mitigate potential liquidity risks, and maintained liquidity and financial resource requirements in accordance with applicable laws and regulations (such as the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)).

The Issuer Group has formulated a multi-level authorisation mechanism and internal policies for managing and approving the use and allocation of capital. It has set up restrictions on authorisation in respect of any commitments or capital outflows (such as procurement, investment and loans), and evaluated the impact of such transactions on capital adequacy.

The Issuer Group has met its financing needs primarily through obtaining bank loans from certain banks and issuing bonds, and constantly explored and expanded financing channels and methods. The Issuer Group has also adopted strict liquidity management measures, including but not limited to daily monitoring reports, future cash flow forecasts and liquidity stress tests, to ensure that the planning and management of liquidity in advance and that the Issuer Group satisfies the capital requirements stipulated by applicable laws.

Market risk

The market risk exposed to the Issuer Group refers to the risk of potential losses incurred to the Issuer Group due to adverse changes in exchange rates, interest rates and prices of financial assets.

The Issuer Group has formulated policies and procedures to monitor and control market risks arising from business operations. Prior to engaging in any new transaction or launching any new business, each business segment of the Issuer Group will arrange persons with professional qualifications and industry experience to discuss and evaluate the relevant market risks, and formulate management and mitigation measures for such market risk.

The Issuer Group has set up market risk limit indicators, and regularly reviewed and adjusted market strategies to adapt to changes in operating results, risk tolerance and market conditions. In terms of financial products and investment business, the Issuer Group has formulated selection criteria for different bonds and other fixed-income products, prudently selected industries and enterprises, and followed up on and monitored macro-economic trends to optimise investment strategies.

Operational risk

The operational risk exposed to the Issuer Group refers to the risk of losses to the Issuer Group caused by flawed or defective internal procedures, employees, information systems or external events. The main goal of the operational risk management of the Issuer Group is to promote a good operational risk management culture according to the regulatory requirements and the development strategy of the Issuer, establish and improve the operational risk management framework and system in line with the actual situation of the Issuer, and reduce the frequency and impact of operational risk events.

The Issuer Group has established an operational risk management structure consisting of the Board, management, the risk management committee, the risk management department and each functional department. The management of operational risk involves all departments and all employees, covering all business activities, business processes and operational procedures.

The Issuer Group has established a sound management mechanism and effective internal control procedures. Through operational risk policies, risk reporting mechanisms, operational risk limit indicators, risk control matrices, operational risk systems and risk warnings, the operational risk events will be identified, evaluated, monitored and followed up on before, during and after events. At the same time, through sharing the cases of operational risk and training, the overall operational risk awareness of the Issuer Group has been improved, the operational risk management has been strengthened, and the ability to respond to operational risk has been improved. The risk management department has regularly analysed and evaluated operational risk events, continuously monitored the operational risk conditions of the Issuer Group and the trend of their changes, and regularly reported the implementation of relevant indicators. It also followed up on operational risk events to ensure that the operational risk losses of the Issuer are under control, and improved operational risk monitoring and management.

The Issuer Group has set up a business continuity management mechanism, with contingency plans and business continuity plans combined with risk scenarios, business models, system settings and other important risk factors, and retained sufficient disaster recovery office facilities, regularly carried out business continuity exercises, comprehensively improved the Issuer Group's ability to respond to emergencies and operational interruptions to ensure smooth and orderly operation.

Compliance and legal risks

The Issuer Group has proactively promoted the establishment of a stable and sound compliance and legal risk management framework, formulated relevant policies, processes and templates, kept a close eye on the prevailing laws and regulations relating to business operations, and made timely adjustments and improvements to the internal compliance and legal risk management policies and processes based on the changes of external laws and regulations, embedding compliance and internal control into its business process to ensure that the Issuer's business and operations comply with the laws and regulations as amended from time to time.

The legal and compliance department takes the lead in formulating the compliance management policies and procedures of the Issuer Group, providing compliance advice for various business plans and affairs, analysing and exploring the compliance of business proposals, closely monitoring the compliance operation of the licensed businesses of the Issuer Group, and supervising all business segments to strictly implement relevant regulatory requirements. Meanwhile, in order to foster a sound compliance culture atmosphere and strengthen compliance awareness, the legal and compliance department has taken the lead in organising legal and compliance training for employees from time to time, carried out publicity for regulatory punishment cases and provided internal guidance about the latest regulatory updates.

The legal and compliance department of the Issuer Group is staffed with full-time legal personnel. Meanwhile, the Issuer Group has engaged four legal consultants who have cooperated with the Issuer Group throughout the years, and maintained close relationships with other external law firms. Through close cooperation with full-time legal personnel and external legal consultants or law firms, it is ensured that the Issuer Group can prevent and address various legal risks in a timely manner.

Reputation risk

The reputation risk exposed to the Issuer Group refers to the risk of negative public views on the Issuer Group from shareholders, employees, customers, third-party cooperation institutions and regulatory agencies caused by the operations, management and other behaviours or external events. The Issuer Group has a complete corporate governance structure and proactively promoted the construction of reputation risk management mechanism, proactively and effectively managed reputation risk and addressed reputation risk events by upholding the principles of prevention first, proactiveness, and timely reporting, and conducted all-round and whole-process management over classification, identification, assessment, reporting, handling and evaluation of reputation risk occurred in the course of the operation and management, so as to minimise losses and negative impacts on the reputation and brand image of the Issuer Group. During the reporting period, the Issuer Group has further improved its reputation risk management system, maintained overall stable public views, and has not experienced any major reputation risk event.

The Issuer has an independent internal audit team, which is assigned with the task to perform regular reviews an annual basis on internal control system of the Issuer Group in respect of operational, financial and compliance aspects and will alert management on the audit findings or irregularities, if any, and advise them on the implementation of necessary steps and actions to enhance the internal controls of the Issuer Group.

The Board has the overall responsibility for reviewing the effectiveness of risk management and internal control systems of the Issuer Group. The Board is committed to implementing an effective and sound risk management and internal control systems to safeguard the interest of the Shareholders and the

Issuer Group's assets. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is responsible for overseeing the risk appetite of the Issuer Group including determining the Issuer Group's acceptable level of risk, and reviewing from time to time the adequacy of resources, staff qualifications and experience, training programmes and budget of the Issuer Group's accounting, internal audit, risk management, financial reporting functions, as well as environmental, social and governance performance and reporting. The Issuer Group discloses inside information to the public as soon as reasonably practicable in accordance with the requirements under the Listing Rules and the Securities and Futures Ordinance (Cap. 571). Before full disclosure of the inside information to the public, the Issuer Group will ensure that the information is kept strictly confidential. The Issuer Group also strives to present information in a clear and balanced way, which requires equal disclosure of both positive and negative facts, and to ensure that information contained in all corporate communications is not false or misleading as to a material fact, or false or misleading through the omission of a material fact.

Foreign exchange and interest rate risks

The Issuer Group manages foreign exchange and interest rate risks primarily through the following measures:

- the Issuer Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Issuer Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the relevant interest rates arising from the Issuer Group's respective HKD and USD denominated financial instruments; and

- the Issuer Group closely monitors its foreign exchange risk exposure and mitigates foreign exchange risk using hedging measurements such as cross-currency forward contracts to hedge movements in exchange rates when necessary.

Risk management and internal control measures for the Issuer Group's brokerage business

The primary risks faced by the Issuer Group's brokerage business include credit risks, operational risks and compliance and legal risks. The Issuer Group manages these risks through the following measures:

Accounts opening	The Issuer Group requires its brokerage clients to complete the account opening procedures to verify the identity of the account owner and ultimate beneficial owner. The account opening staff is required to check against the list of politically exposed persons before accepting a new client.
Risk disclosure	Before the Issuer Group signs the client agreement, the Issuer Group's staff explains to the client the terms of the agreement and the risks involved in investing and using the Issuer Group's trading platforms.
Credit assessment	The Issuer Group assesses a potential client's creditworthiness by reference to his/her or its financial standing, repayment ability and credit history with the Issuer Group (if any). Where necessary, the Issuer Group conducts a credit search with external credit check agencies to obtain background information and the credit history of such client.

Credit policy . . . . The Issuer Group may set trading limits for cash account or margin account clients on a case-by-case basis to minimise the Issuer Group's exposure between trade execution and settlement. The Issuer Group has established an approval hierarchy for different tiers of trading limits granted to clients. For futures brokerage clients, the Issuer Group requires them to make deposit and close out the position if such clients fail to replenish the Issuer Group's required deposit.

Order taking . . . . Staff of the Issuer Group responsible for handling clients' orders must be registered with the SFC as either a responsible officer or a licensed representative.

All client orders shall be received from and/or confirmed to clients using the Issuer Group's internal telephone recording system or processed through the Issuer Group's online trading platform. Staff of the Issuer Group must follow the Issuer Group's order taking procedures to ensure client orders are executed promptly and in accordance with the client's instructions. Trading records shall be reviewed after trading hours and recorded and backed up on a daily basis. Trading error shall be promptly reported and rectified in accordance with the Issuer Group's internal policy.

Transaction monitoring . The Issuer Group's surveillance system monitors client transactions on a real-time basis and detects unusual or irregular trading activities. The system adopts pattern recognition for detection of transaction activities that may be intended to manipulate markets in financial instruments. For example, the system generates alerts where a client has placed significant buy and sell trades within a short time period or where a trader has placed large orders in terms of volume or converted value in a specific instrument. For post-trade monitoring, an exceptional trade report is generated for the compliance department and relevant responsible officers or department heads for further analysis and investigation.

Account executives . . . . The Issuer Group's account executives are responsible for the regulatory compliance of the trading activities of the clients referred by them conducted through the Issuer Group's trading platform. Any instances of non-compliance shall be reported to the Issuer Group as soon as possible. Account executives are required to comply with the same set of internal control rules and measures that governs the Issuer Group's in-house client managers, the Issuer Group's internal policies and any applicable laws and regulations, which include the Issuer Group's order taking procedures detailing the manner and channels of order taking. Trades executed by account executives are monitored by the same surveillance system described in "*Issuer Group risk management and internal control – Risk management and internal control measures for the Issuer Group's brokerage business – Transaction monitoring*" above which also detects unusual or irregular trading activities of the account executives. Monthly reports on the commission generated by the Issuer Group's account executives are generated and reviewed by the head of relevant business units.

Risk management relating to the Issuer Group's margin financing business

The risk management committee and the risk management department of the Issuer Group are primarily responsible for monitoring the risks associated with this business segment. The primary risks faced by the margin financing business of the Issuer Group include credit risks and compliance and legal risks. The Issuer Group manages these risks through the following measures:

Risk management structure	The Issuer Group has a multi-level risk management system to monitor its risks associated with this business line and formulate and revise risk management policies and internal control measures in response to a changing credit environment.
Risk disclosure	For margin financing, before the Issuer Group signs the client agreement, the Issuer Group's staff explains to the client the terms of the agreement and the risks involved in applying for margin financing and consequence for failing to meet the Issuer Group's margin calls.
Credit assessment	For details, see "*Description of the Issuer Group – Issuer Group business – Margin financing – Loan management*". Further, the Issuer Group also assesses the market value, type, liquidity and volatility of securities offered as collateral on a regular basis.
Credit policy	The Issuer Group approves the credit line for each margin account client on a case-by-case basis with close reference to its credit assessment results as well as the prevailing market conditions. Credit line is the standby loan facility which could be granted to a client. The Issuer Group has in place an approval hierarchy for different tiers of credit line granted to its clients.
Collateral requirement . .	For margin financing, the Issuer Group requires the client to provide the Issuer Group sufficient collateral to cover the loan amount when the Issuer Group grants the loan. Normally only securities quoted on the Hong Kong Stock Exchange are eligible as collateral. In addition to listed securities, the Issuer Group also accepts other collateral such as securities listed on overseas stock exchanges and bonds. The market values of overseas securities can be assessed based on the daily trading prices quoted on the relevant stock exchange, whereas the market value of the bonds can be ascertained based on the reference prices quoted on third party information platforms. The Issuer Group's risk management department monitors the market value of securities listed on overseas stock exchanges and bonds based on public market information on a daily basis. Additional collateral or further security may be sought during the term of the loan to manage the Issuer Group's exposure against fluctuation of the value of the collateral received.
Margin ratio	The Issuer Group sets a margin ratio which each of its margin clients is required to maintain. See "*Description of the Issuer Group – Issuer Group business – Margin financing*" for details of the Issuer Group's loan management.

Post-lending monitoring . The Issuer Group monitors the margin ratio of clients to whom the Issuer Group has provided lending on a regular basis. A daily report of the Issuer Group's client's outstanding loan amount, value of the collateral and margin ratio is generated for the Issuer Group's ongoing monitoring and review. For margin financing, the Issuer Group will issue a margin call and is entitled to liquidate the collateral held by the Issuer Group in the event that its client defaults or otherwise fails to meet the approved margin ratio after receiving a margin call from us. See "*Description of the Issuer Group – Issuer Group business – Margin financing – Post-loan monitoring*" for details.

Lending limits . . . . Pursuant to the Issuer Group's policy, it has set limits on the overall loan amount extended to margin clients, under which if the actual margin loan balance exceeds 90 per cent. of the limit, the risk management department shall send an alert to the risk management committee. In addition, to manage concentration risks, the Issuer Group has set a limit on margin loans which is solely or primarily secured by a single stock or securities. A prescribed ratio is set for the amount of margin loans secured by a single stock or securities to the limit on total margin loan. The Issuer Group also sets limits on the loan amount extended to any single client (including his/her or its related party) as compared to the total amount of margin loans extended by the Issuer Group. The Issuer Group's risk management department monitors the lending limit on regular basis and any margin lending in excess of such limit is reported to and approved by the risk and credit management committee.

Risk management relating to the Issuer Group's corporate finance business

The primary risks faced by the Issuer Group's corporate finance business include market risks and compliance and legal risks. The Issuer Group manages these risks through the following measures:

- the Issuer Group has an operational manual setting out work procedures and risk management with respect to taking up new appointments, project planning, execution and closing, the reporting lines at different stages of the transactions and the restrictions and supervisions on dealings by the Issuer Group's staff;

- the Issuer Group has established two committees under its corporate finance segment, namely, the mandate committee and the commitment committee, for the purpose of making decisions before acceptance of a new engagement and in the process of each IPO transaction and those transactions that involve financial commitments. These committees which comprise senior personnel of the Issuer Group's corporate finance department, representatives from the management team and compliance department hold meetings to determine whether to proceed with the prospective engagement in a potential transaction, evaluate the risk involved, discuss how to mitigate risks during the engagement and submit their recommendation to the Issuer Group's senior management for approval where required;

- the execution team conducts thorough due diligence in connection with each transaction, including conducting "know-your-client" procedures, reviewing due diligence materials, business, financial and legal matters, conducting on-site visits, conducting interviews with issuers and their directors, senior management and employees; and

- the compliance department and, in some cases, the Issuer Group's external legal counsel are responsible for reviewing agreements relating to the Issuer Group's corporate finance business.

Risk management relating to the Issuer Group's asset management business

The primary risks faced by the Issuer Group's asset management business include market risks and compliance and legal risks. The Issuer Group manages these risks through the following measures:

- the Issuer Group's investment decision committee is responsible for formulating investment policies and guidelines, reviewing asset allocations, making major investment decisions and setting authorisation limits on investment managers in investment activities;

- the Issuer Group's investment decision committee comprises of the head of fixed income, the head of risk management, the head of compliance, the head of finance department and both the deputy chief executive officers. For the relevant qualifications and experiences of other committee members, please refer to the section headed "Directors of the Issuer";

- the Issuer Group has maintained a carefully selected "securities pool" for its investments based on research recommendations given by the research department. The selected "securities pool" is reviewed on a quarterly basis. The investment managers are allowed to invest only in securities in the pool unless prior written approval is obtained;

- for asset management schemes invested in equity securities, the Issuer Group has mechanisms that sets pre-determined limits to stop profit or loss in relation to any single security or an asset portfolio. The Issuer Group also sets authorised limits on investment in any single security in an asset portfolio and require further approval for any trade beyond such limit;

- the Issuer Group requires its asset management business to be segregated from its brokerage, wealth management and corporate finance businesses in order to prevent insider trading and avoid conflicts of interest;

- the Issuer Group is required to assess the potential client's financial condition, investment experience, investment preferences, risk awareness and risk tolerance level so that the Issuer Group can recommend products or services suitable for the client's risk tolerance level. The Issuer Group also requires its clients to provide assurance on the legality of the source of the assets under management. Further, the Issuer Group requires its client to make acknowledgement of the risks involved in subscribing the relevant investment products;

- the Issuer Group maintains segregated asset management accounts at qualified commercial banks and authorised financial institutions to hold client funds; and

- the Issuer Group monitors transaction activities on a timely basis and unusual trading activities are reported to the relevant responsible officers or department heads and compliance department for review and taking further action.

Risk management relating to the Issuer Group's financial products and investments business

The primary risks faced by the Issuer Group's financial products and investments business include market risks, credit risks, operational risks, and compliance and legal risks. The Issuer Group manages the associated risks through the following measures when it makes any new investment on a proprietary basis:

- The Issuer Group has established a multi-level management system for its financial products and investments business:

  – the Board of the Issuer: the Board of the Issuer determines the overall size of the proprietary investment of the Issuer Group and is the highest decision making body for determining and authorising the Issuer Group's investment strategy;

- the investment decision committee: the investment decision committee is the highest management body for all classes of proprietary trading. The investment decision committee is responsible for formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment managers in investment activities. The investment decision committee evaluates and adjusts the Issuer Group's investment strategies from time to time based on research and analysis of the latest changes and developments in the securities market, economic conditions and government policies. It also sets risk control indications related to assets allocation between the Issuer Group's proprietary trading and single security investment product based on the Issuer Group's investment business development needs; and

- the fixed income department: the fixed income department is responsible for execution of the Issuer Group's proprietary trading in accordance with the strategies and limits set by the Board of the Issuer and the investment decision committee. The head of the department supervises different teams to conduct research on investments, execute trade orders and monitor daily operations to implement effective risk control.

• The investment decision committee leverages the experience of the current members of the investment decision committee, the collaboration between different business units and holding regular and ad hoc committee meetings to ensure that the investment decision committee functions effectively. For the relevant qualifications and experiences of other committee members, please refer to the section headed "Directors of the Issuer".

• The management and execution teams are required to adhere to a strict decision making and execution process when conducting proprietary trading:

  - the investment research team has established a securities pool based on their research and analysis, and the investment managers make investment portfolio decisions only among those securities for the Issuer Group's proprietary trading;

  - the Issuer Group determines its scale of investment and risk tolerance thresholds and adjust its actual trading activities and portfolio based on prevailing market conditions and the Issuer Group's investment strategies;

  - the investment decision committee holds monthly meeting and ad hoc meetings when appropriate to determine and review the risk management strategies, scale of investment, risk tolerance levels and trading limits;

  - the Issuer Group has set trading limits on the ratio of individual stocks, and authorise the Issuer Group's investment managers to make investments within the pre-set limits. The specific ratios are as follows: the cost of each fixed income securities held in any stable interest income securities portfolio shall not be more than 15 per cent. of the total authorised investment amount; the cost of each fixed income securities held in any trading debt securities portfolio shall not be more than 10 per cent. of the total authorised investment amount; the amount of equity securities and derivatives shall not be more than 10 per cent. of the total authorised investment amount; and the cost of each equity securities held shall not be more than five per cent. of the total authorised investment amount;

  - investment orders made by investment managers are executed by the Issuer Group's brokerage department and all trades shall be executed in accordance with the trading and risk management guidelines of the Issuer Group and the relevant rules and regulations governing such trades. Approval from the Issuer Group's investment decision committee is required for any investments exceeding its pre-set trading limits or material adjustments in asset allocation; and

- the risk control team is responsible for monitoring the daily operations of the Issuer Group's financial products and investments activities and to ensure compliance with the Issuer Group's trading policies. The team shall prepare daily reports on the settlement and risk control indicators on the Issuer Group's investments.

• The Issuer Group has implemented the following measures in managing risks relating to its financial products and investments business:

  - the Issuer Group may leverage its investment to improve return and the gearing ratio will be strictly maintained at below 50 per cent., as determined by the investment decision committee;

  - the Issuer Group determines its asset allocation by evaluating the future trends of the investment environment and analysing changes in the structure of fund supply and demand in the financial markets, based on domestic and overseas macro-economic directions and changes in interest rate policies;

  - for the asset allocation amongst various types of bonds in its portfolio, the Issuer Group also assesses the spread level, relative investment values, relative yield, shape of yield curve, major risks, degree of liquidity and capability of revenue generation of different types of bonds;

  - the Issuer Group monitors its investments on a timely basis, including its trading positions, unrealised profit or loss, risk exposure and trading activities;

  - the Issuer Group diversifies its investments and limits the size of its investment in relation to any single product, client or type of investment; and

  - the Issuer Group establishes mechanisms that set pre-determined points to stop profit or loss on an overall basis or on each individual stock. For instance, if the floating loss of any single bond reaches a level of more than five per cent. (calculated based on the daily closing price against cost price), the relevant bond will be put under observation; if the floating loss of any single bond reaches a level of more than 10 per cent. (calculated based on the daily closing price against cost price), the relevant bond will be put under a state of alert and the risk management unit of the financial products and investments business of the Issuer Group will inform its head of fixed income department, the compliance department and the relevant investment managers in writing regarding any fluctuations of the relevant bond on a daily basis.

  Specifically in respect of the Issuer Group's proprietary trading of debt securities, in addition to the above, the Issuer Group has developed the following measures to manage its risks:

  - the Issuer Group has developed investment strategies for its bond portfolio. See "*Description of the Issuer Group – Issuer Group business – Financial products and investments – Investment strategies*" for details;

  - to manage the Issuer Group's credit and market risk exposure, the Issuer Group has adopted stringent selection strategies for different types of bonds the Issuer Group will invest;

  - the Issuer Group formulates different selection criteria for bonds, limits the investment in industries and enterprises with excess capacity and negative news, and tracks and monitors the trends of the macro economy and investment concentration ratio to optimise its investment strategies;

– on portfolio level, the Issuer Group has a stop-loss mechanism in place. See "*Description of the Issuer Group – Issuer Group business – Financial products and investments – Investment strategies*" for details;

– the Issuer Group diversifies fixed income investment portfolios, and continually tracks the changes on the operation, credit rating and solvency of the issuers; and

– the Issuer Group controls the investment horizon of its debt securities investment. The Issuer Group has set up a "bonds pool" in line with its business needs which will govern its daily investment activities to ensure stable long term gains. Changes in the selected "bonds pool" will be reviewed by the investment decision committee on a monthly basis.

Conflicts of interest

The Issuer Group conducts conflict checks on potential clients before accepting a new engagement to provide services. The Issuer Group has to be satisfied as to the identity of the directors and beneficial owners of a potential client and its financial standing and source of funds.

The Issuer Group maintains a restricted list of securities, the trading of which for the Issuer Group's own accounts, accounts for employees and related accounts are restricted. Employees are prohibited from trading in securities on the restricted list. Such list is confidential and shall not be disclosed to persons outside the Issuer Group. The Issuer Group also maintains a watch list which is a confidential list of securities in relation to which the Issuer Group or its employees may have received material information or has been retained to provide advice. Any employee who is related to the issue of such securities is prohibited from trading in the relevant securities.

Compliance with the Foreign Account Tax Compliance Act ("FATCA")

To ensure that the Issuer Group complies with FATCA requirements, it has adopted the following measures:

- registering with the United States Internal Revenue Service (the "**IRS**");
- enhancing the Issuer Group's current account opening procedures to ensure compliance with FATCA;
- conducting reviews of the Issuer Group's existing client accounts to identify any accounts held by United States taxpayers; and
- providing training and guidance to the Issuer Group's employees with respect to the new requirements under FATCA.

Given that the Issuer Group has registered with the IRS and implemented enhanced account opening procedures to identify United States accounts and clients in compliance with FATCA, and only an insignificant number of its existing client accounts were held by a United States taxpayer as at 31 December 2022, the Issuer Group's Directors believe that the implementation of FATCA in Hong Kong pursuant to the intergovernmental agreement signed between Hong Kong and the United States for implementation of FATCA has no material impact on the Issuer Group's business operations, its shareholders and clients.

Staff dealing rules

Generally, the Issuer Group's employees open a securities account with the Issuer Group for securities trading. Employees who have opened personal investment accounts with other financial institutions prior to commencement of employment shall submit the relevant statements of accounts to the Issuer Group on a monthly basis and inform the compliance department of the Issuer Group of any change in their accounts status within three working days of such change. Employees of the asset management and corporate finance businesses of the Issuer Group, analysts and other specified employees are subject to more stringent rules of dealing.

Segregation of business

To minimise the risk of collusion and improper trading activities, the Issuer Group assigns duties and functions to different departments and it is the policy that no employee may work concurrently for two or more departments with conflicts of interests or in situation where it may involve or result in improper dealing. For example, the Issuer Group requires its brokerage business to be segregated from other businesses with conflicts of interest, such as asset management and corporate finance. Under the Issuer Group's policy, key functions, such as customer services, sales, trading, account opening, client money deposit and withdrawal, accepting delegation from clients and clearing and settlement should be properly segregated and separately handled by separate staff members.

The Issuer Group also separately handles and manages its clients' funds from the Issuer Group's own funds.

Chinese wall

Employees are required to ensure that all information relating to the Issuer Group's clients, transactions and mandates are kept confidential. Any use of confidential information for personal purpose or for the benefit of any third party is strictly prohibited.

The Issuer Group has adopted a Chinese wall, which is designed to restrict the flow of such information across different business functions. The Issuer Group's Chinese wall operates to separate those areas such as corporate finance that routinely receive non-public and potentially inside information in the ordinary course of the business from those areas that deal in securities or provide investment advice, ensuring that those outside the Chinese wall will have no knowledge of confidential information within the Issuer Group. In case where it is necessary for the Issuer Group's staff to "cross-over-the-wall", such "cross-over-the-wall" shall be strictly monitored and controlled. Prior approval from head of relevant business units and the compliance department shall be obtained, and confidentiality undertaking shall be given by the relevant staff before allowing access to confidential or potentially price sensitive information. The Issuer Group's staff will be given access to the information only to the extent necessary.

Compliance with the Personal Data (Privacy) Ordinance ("PDPO")

In the ordinary course of business, the Issuer Group is in possession of private and confidential personal data. As a result, the Issuer Group's operations in relation to such data are regulated by the PDPO. In particular, the Issuer Group falls within the definition of "data user", which is defined in the PDPO as "a person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of the data" and hence is subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data. In this regard, the Issuer Group has established policies and procedures to ensure compliance with the PDPO.

Anti-money laundering

To mitigate the Issuer Group's money laundering risk, all of its staff members are required to adhere to the requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the SFC Guideline on Anti-Money Laundering and Counter-Terrorist Financing and any update relating thereto. The Issuer Group has also adopted the "policies, procedures and training" principle as provided in these guidelines by establishing and adopting policies and providing education and training to the Issuer Group's staff on anti-money laundering. The Issuer Group's guidelines on anti-money laundering are provided in the Issuer Group-wide compliance manual and operational manuals provided to the Issuer Group's staff to ensure that they are aware of the possibility of money laundering and their own personal legal obligations in relation thereto. In addition, the Issuer Group has set up an anti-money laundering committee to ensure compliance with the relevant rules and regulations regarding anti-money laundering.

The Issuer Group conducts ongoing monitoring by periodically requesting and reviewing updated information, data and documents relating to clients. The Issuer Group also monitors the activities of its clients and identifies transactions that are large and unusual.

If any suspicious activity is noted in the "ongoing monitoring" phase, the Issuer Group's employees shall notify its money laundering reporting officer. If there exists reasonable grounds to justify that the clients or activity are indeed suspicious, the officer shall file a suspicious activity report ("**SAR**") to the Joint Financial Intelligence Unit. In this respect, the money laundering reporting officer is responsible for:

- reviewing the internal suspicious activity reports submitted by employees and determining whether to file an SAR to the Joint Financial Intelligence Unit;
- maintaining a record of the SARs filed; and
- acting as the main point of contact for matters relating to anti-money laundering.

In respect of the Issuer Group's anti-money laundering efforts, the Issuer Group has adopted the "know your client" principle espoused in the guidelines mentioned above, whereby the Issuer Group requires potential clients to provide it with proof of identity, their occupation, background and contact details for verification.

ISSUER GROUP IT RISK MANAGEMENT

Circular on Information Technology Management

As described in the "Circular to All Licensed Corporations on Information Technology Management" issued by the SFC on 16 March 2010 ("**IT Circular**"), the licensed corporations are required to establish policies and procedures to ensure the integrity, security, availability, reliability and thoroughness of all information, including documentation and electronically stored data, relevant to the firm's business operations. The firm's operating and information management systems should meet the firm's needs and operate in a secure and adequately controlled environment. The IT Circular provides guidance on the control techniques and procedures in respect of the following key areas:

(a) Information security policy;

(b) Access control;

(c) Encryption;

(d) Change management;

(e) User activities monitoring; and

(f) Data backup and continuity planning.

For the year ended 31 December 2022, there was no significant deviation identified in the Issuer Group's current internal control system in relation to the guidance on information technology management as described in the IT Circular issued by the SFC. As at the date of this Offering Circular, the Issuer Group's directors also confirmed that the Issuer Group is in material compliance with the applicable mandatory requirements as stipulated in the various circulars issued by the SFC to licensed corporations (including, but not limited to, the IT Circular and the "Circular to licensed corporations providing online trading services" issued by the SFC). In addition, the Issuer Group regularly reviews its information technology internal control system.

Access controls

The Issuer Group has in place information security policy and rules which control over the Issuer Group's information technology infrastructure. Access controls are in place so that all users' (including staff, clients and vendors of the securities/futures trading system and back-office system) access to the system has to be authorised by the Issuer Group. Password policies and standards are formalised to facilitate user authentication and access control. The Issuer Group's computer system and information processing facilities are protected by firewalls, intrusion protection systems and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software. Encryption is applied to the transmission of sensitive information. The Issuer Group performs a compliance check against the established information technology policies. Daily backup procedures and a business continuity plan are in place to ensure continuity of its operation.

ISSUER GROUP RELATED PARTY TRANSACTIONS

The Issuer Group currently engages in, and expect from time to time in the future to engage in, financial and commercial transactions with its subsidiaries, associates, and shareholders. All such transactions are conducted on an arm's length and commercial basis and in accordance with the applicable laws and rules.

For more details, please see note 43 to the Issuer's consolidated financial statements for the year ended 31 December 2021 and note 44 to the Issuer's consolidated financial statements for the year ended 31 December 2022, included elsewhere in this Offering Circular.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

DIRECTORS

The Guarantor's board of directors (the "**Board of the Guarantor**") consists of nine members. The Board of the Guarantor is responsible and has general powers for the management and conduct of the Guarantor's businesses. The table below sets out certain information in respect of the Guarantor's directors as at the date of this Offering Circular:

Name	Age	Position
YANG Huahui (楊華輝) . . .	57	Chairman of the Board of the Guarantor
LIU Zhihui (劉志輝)	54	Director and president
YE Yuanhang (葉遠航)	47	Director
GENG Yong (耿勇)	71	Director
LI Qiongwei (李瓊偉)	46	Director
LIN Hongzhen (林紅珍) . . .	54	Director and chief risk officer
LIU Hongzhong (劉紅忠) . .	58	Independent director
PAN Yue (潘越).	46	Independent director
WU Shinong (吳世農)	66	Independent director

Mr. YANG Huahui (楊華輝), aged 57, was appointed as the chairman of the Board of the Guarantor on 29 November 2017. Mr. Yang is also the secretary of the Communist Party of China ("**CPC**") Committee of the Guarantor, the chairman of the board of directors of Industrial Securities (Hong Kong) Financial Holding Limited (興證(香港)金融控股有限公司) and AEGON-Industrial Fund Management Co., Ltd. (興證全球基金管理有限公司). Mr. Yang was previously a member of the CPC Committee and a deputy director of Industrial Bank Co., Ltd. ("**CIB**"), Shanghai Branch, the secretary of the CPC Committee and the director of CIB, Hangzhou Branch, the secretary of the CPC Committee, the chairman of the board of directors and the standing president of Lianhua International Trust Co., Ltd. (聯華國際信托有限公司) and the secretary of the CPC Committee and the chairman of the board of directors of China Industrial International Trust Limited (興業國際信托有限公司). Mr. Huang holds a doctor's degree in economics and is a senior economist.

Mr. LIU Zhihui (劉志輝), aged 54, was appointed as a director and president of the Guarantor on 29 October 2008. He is also the deputy secretary of the CPC Committee of the Guarantor and the vice chairman of the board of directors of Industrial Securities (Hong Kong) Financial Holding Limited (興證(香港)金融控股有限公司). Mr. Liu previously served as a staff member, a senior staff member and a principal staff member of the General Office of Fujian Provincial Government (福建省政府辦公廳) and principal staff member, deputy division director and the division director of the Listing Division (上市處), Institution Division (機構處) and the Inspection Division (稽查處) of the Fujian Regulatory Bureau of China Securities Regulatory Commission (福建證監局). Mr. Liu holds a master's degree in economics and is an international business engineer.

Mr. YE Yuanhang (葉遠航), aged 47, was appointed as a director of the Guarantor on 29 June 2021. He is also a member of the CPC Committee and the deputy general manager of Fujian Investment & Development Group Co., Ltd. (福建省投資開發集團有限責任公司). Mr. Ye previously served as the secretary of the CPC Committee and the general manager of PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) ("**PICC Property**") Fuzhou branch, a member of the CPC Committee and an assistant to the general manager of PICC Property Fujian branch. He was also the general manager in the corporate banking and insurance department of PICC Property Fujian branch. Mr. Ye obtained a bachelor's degree.

Mr. GENG Yong (耿勇), aged 71, was appointed as a director of the Guarantor on 30 December 2015. He was previously a deputy researcher of the Accounting Management Division (會計管理處), a deputy director of the Tax, Policies and Laws Division (稅政條法處) and a deputy director and a researcher of the Tax and Policies Division (稅政處) of the Department of Finance of Fujian Province (福建省財政廳). Mr. Zeng holds an associate's degree.

Mr. LI Qiongwei (李瓊偉), aged 46, was appointed as a director of the Guarantor on 8 December 2021. He is also the chairman and the general manager of Shanghai Shenxin (Group) Co., Ltd. (上海申新(集團)有限公司). Mr. Li previously served as an assistant to the general manager of Shanghai Yangcheng Real Estate Development Co., Ltd (上海陽城房地產開發有限公司), an assistant to the general manager of the Chongqing project in Dahua Group Co., Ltd. (大華集團), an assistant to the general manager of Liaoning Huatemei Real Estate Development Co. Ltd. (遼寧華特美房地產開發有限公司), the deputy general manager of Dahua Group Dalian Real Estate Development Co., Ltd. (大華集團大連房地產開發有限公司), and the deputy general manager and director of Shanghai Shenxin (Group) Co., Ltd. Mr. Li holds a bachelor's degree.

Ms. LIN Hongzhen (林紅珍), aged 54, was appointed as a director and chief risk officer of the Guarantor on 8 December 2021 and 29 April 2022, respectively. She is also a director of Industrial Securities (Hong Kong) Financial Holding Limited (興證(香港)金融控股有限公司). Ms. Lin previously served as the general manager of the risk management department, the general manager of the finance department, the acting general manager of the capital operation and management department and the chief financial officer of the Guarantor. Ms. Lin holds a master's degree.

Mr. LIU Hongzhong (劉紅忠), aged 58, was appointed as an independent director of the Guarantor on 19 January 2018. Mr. Liu is also a professor of finance of Fudan University, a deputy director of the finance research centre, a deputy director of the finance history research centre of Fudan University and the director of Fudan University-Durham University Joint Finance Research Centre. He is also a director of China Society for Finance and Banking, a director of China International Society for Finance and Banking, a director of the Financial Conference of China, a standing director of the Investment Association of China and a director of Shanghai Municipal Society for Finance and Banking. Mr. Liu holds a doctor's degree in economics.

Ms. PAN Yue (潘越), aged 46, was appointed as an independent director of the Guarantor on 30 November 2023. Ms. Pan is also the director of the social science research division, the director of the centre for liberal arts journals, the head of the department of finance at the school of economics, a professor and a doctoral supervisor at Xiamen University. She is a "National High-end Accounting Talent" of the Ministry of Finance, and she also serves as a professional member of the financial management branch of the China Association of Chief Financial Officers, a director of the China Society for Finance and Banking, and an associate editor of *China Economic Studies* and *Quarterly Journal of Finance*. Ms. Pan holds a doctor's degree in financial management and is a certified public accountant in China.

Mr. WU Shinong (吳世農), aged 66, was appointed as an independent director of the Guarantor on 29 November 2017. He is also a professor in accounting of Management School of Xiamen University, an advisor to doctorate students, the vice president of China Enterprises Management Institute (中國企業管理研究會) and the president of accounting and finance division of China Modernised Management Institute (中國管理現代化研究會財務與會計研究分會). Mr. Wu was previously the director of China Canada MBA Education Centre of Xiamen University, the dean of the School of Business Management, a deputy director and the director of the School of Management of Xiamen University, the dean of the Graduate School and the vice president of Xiamen University, a member of the National Natural Science Foundation of China (國家自然科學基金委員會), the promotor and member of the Academic Degrees Committee of the State Council (國務院學位委員會), a member of the Management Study Branch of the Science and Technology Committee of the Ministry of Education (教育部科學技術委員會管理學部), a deputy director of the National MBA Education Guidance Committee (全國MBA教育指導委員

會）from 1994 to 2013, a deputy director, a director of the jury panel of the 1st-5th China Undergraduate Entrepreneurship Competition (also known as the "Challenge Cup")(第一至第五屆中國大學生「挑戰杯」創業大賽）and a vice president of China Modernised Management Institute. Mr. Wu holds a doctor's degree.

In addition, as at the date of this Offering Circular, the Board of the Guarantor has nominated the following persons to serve on the Board of the Guarantor, subject to approval of the Guarantor's shareholders' meeting:

Mr. DONG Ximiao（董希淼）, aged 46, will succeed Mr. WU Shinong as an independent director of the Guarantor, subject to approval of the Guarantor's shareholders' meeting. He is also the chief researcher of Zhongguancun Internet Finance Institute（中關村互聯網金融研究院）, and he also serves as a member of the expert advisory committee of the Asian Financial Cooperation Association（亞洲金融合作協會）, an expert in the assessment of professional master's degree level of the degree centre of the Ministry of Education, a member of the internet banking committee of China Internet Finance Association（中國互聯網金融協會）, a member of the digital finance committee of the National Internet Finance Association of China（中國互聯網協會）, an expert of the Bank Financial Management Registration and Custody Centre（銀行業理財登記托管中心）, a member of the expert group of *Financial Times*, a member of the Global Digital Finance Centre (Hangzhou)(全球數字金融中心(杭州)), a researcher of the institute of financial research of Fudan University, and an external expert of the department of payment and settlement of the People's Bank of China. Mr. Dong previously served as the executive director of the research institute of EverGrowing Bank（恒豐銀行）, a researcher and a deputy director of the Chongyang Institute of Finance of Renmin University of China（中國人民大學重陽金融研究院）. Mr. Dong holds a master's degree and is a senior economist.

Mr. XU Qingchun（許清春）, aged 53, will succeed Ms. LIN Hongzhen as a director of the Guarantor, subject to approval of the Guarantor's shareholders' meeting. Mr, XU was appointed as the chief financial officer on 7 April 2023. He is also the general manager of the Xiamen branch of the Guarantor and a director of Haixia Equity Exchange (Fujian) Co., Ltd.（海峽股權交易中心(福建)有限公司）. In addition, Mr. Xu was the general manager of the securities department, deputy general manager of compliance and risk management department of the Nanping Binjiang Middle Road branch of the Guarantor. He was also the deputy head of the preparation team, the deputy general manager, director of compliance and risk control of private finance committee and general manager of compliance and risk control department of private finance committee, general manager of operation management department, deputy general manager of compliance and management department, deputy general manager of brokerage business general department, and general manager of securities and finance department of the Fuzhou branch of the Guarantor. Mr. Xu holds a bachelor's degree.

SUPERVISORS

The board of supervisors of the Guarantor (the "**Supervisory Board**") consists of four members. The Supervisory Board oversees the actions of the Board of the Guarantor. The table below sets out certain information in respect of the members of the Supervisory Board as at the date of this Offering Circular:

Name	Age	Position
ZHANG Xiufeng（張秀鳳）. .	37	Supervisor
HUANG Hao（黄浩）.	47	Supervisor
LIN Xing（林興）.	51	Employee representative supervisor
YU Zhijun（余志軍）.	52	Employee representative supervisor and acting convenor of the Supervisory Board

Ms. ZHANG Xiufeng（張秀鳳）, aged 37, was appointed as a supervisor of the Guarantor on 29 June 2023. She is also the deputy director in the strategic management centre of XMXYG Corporation（厦門象嶼集團有限公司）. Ms. Zhang previously worked as a project manager of the investment management department and the finance department of XMXYG Corporation, the manager of the finance department of Xiamen Fujian Taiwan Central Fishing Port Construction and Development Co., Ltd. (厦門市閩台中心漁港建設發展有限公司) She also served as the manager of management accounting in the accounting department of the group finance centre, manager of analysis in the finance department, deputy manager of the group investment management department, deputy manager of the investment management department of the group strategic management centre, and the manager of the investment management department of XMXYG Corporation. Ms. Zhang holds a master's degree.

Mr. HUANG Hao (黄浩), aged 47, was appointed as a supervisor of the Guarantor on 8 December 2021. Mr. Huang is also the deputy secretary of the CPC Committee and the general manager of Fujian Huaxing Group Co., Ltd. (福建省華興集團有限責任公司), as well as an executive director of Fujian Financing Guarantee Co., Ltd. (福建省融資擔保有限責任公司). He was previously the deputy general manager of the investment management department of Fujian Huaxing Group Co., Ltd., the deputy general manager and chairman of the board of Sanming Huaxing Pawn Co., Ltd. (三明市華興典當有限公司), the general manager of Fujian Huaxing (Longyan) Pawn Co., Ltd. (福建省華興(龍岩)典當有限責任公司), the general manager and chairman of the board of Fujian Huaxing (Quanzhou) Pawn Co., Ltd. (福建省華興(泉州)典當有限責任公司), the chairman and general manager of Fujian Province Huaxing (Sanming) Finance Holdings Co., Ltd. (福建省華興(三明)金融控股有限公司), and the deputy general manager of Fujian Huaxing Group Co., Ltd. Mr. Huang holds a master's degree and is an economist.

Mr. LIN Xing (林興), aged 51, was appointed as an employee representative supervisor of the Guarantor on 15 November 2023. He is also the general manager of the compliance management department of the Guarantor. Mr. Lin joined the Guarantor in 2015 and he has previously served as the deputy general manager of the compliance and risk management department and the general manager of the compliance and legal affairs department of the Guarantor. Mr. Lin holds a master's degree.

Mr. YU Zhijun (余志軍), aged 52, was appointed as an employee representative supervisor and the acting convenor of the Supervisory Board of the Guarantor on 24 October 2020 and 7 April 2023, respectively. Mr. Yu is also the standing deputy general manager of the audit department of the Guarantor and a supervisor of Fujian Industrial Securities Charitable Foundation (福建省興業證券慈善基金會). Mr. Yu was previously an assistant to the general manager and a deputy general manager of the supervisory department, a deputy general manager of the accounting department, a deputy general manager of the capital operation and management department, a deputy general manager of the planning and finance department of the Guarantor. Mr. Yu holds a bachelor's degree.

SENIOR MANAGEMENT

The senior management is led by the Guarantor's president, who is responsible for overseeing the day-to-day management of the Guarantor's business and operations. The table below sets out certain information in respect of the members of the Guarantor's senior management as at the date of this Offering Circular:

Name	Age	Position
LIU Zhihui (劉志輝)	54	Director and president
HU Pingsheng (胡平生)	58	Vice president
ZHENG Chengmei (鄭城美) .	49	Vice president and chief compliance officer
HUANG Yilin (黃奕林)	54	Vice president
KONG Xianglin (孔祥杰) . .	52	Vice president
LIN Hongzhen (林紅珍) . . .	54	Director and chief risk officer
LI Yutao (李予濤)	48	Chief information officer
LIN Duo (林朵)	52	Board of the Guarantor secretary
XU Qingchun (許清春)	52	Chief financial officer

Mr. LIU Zhihui (劉志輝), aged 54, was appointed as a president of the Guarantor on 29 October 2008. For Mr. Liu's biography, see "– *Directors*" above.

Mr. HU Pingsheng (胡平生), aged 58, was appointed as a vice president of the Guarantor on 29 October 2008. Mr. Hu is also a member of the CPC Committee of the Guarantor, a director of Industrial Securities (Hong Kong) Financial Holding Limited and the non-executive director and chairman of the Issuer. Mr. Hu was previously a deputy general manager of the research and development centre, a deputy general manager of the investment banking business general department, the general manager of the secretariat of the Board of the Guarantor, the director of the general office and the board secretary of the Guarantor. Mr. Hu holds a doctor's degree and is an assistant professor.

Mr. ZHENG Chengmei (鄭城美), aged 49, was appointed as a vice president and the chief compliance officer of the Guarantor on 19 August 2012 and 5 June 2017, respectively. Mr. Zheng is also a member of the CPC Committee, secretary of the CPC Discipline Inspection Committee and the compliance director of the Guarantor, a director of Industrial Securities (Hong Kong) Finance Holding Limited and the chairman of the board of supervisors of Industrial Securities Charity Foundation (興業證券慈善基金會). Mr. Zheng was previously the head of the Binjiang Road, Nanping branch of the Guarantor, the general manager of the planning and finance department, the general manager of the secretariat of the Board of the Guarantor, the Board of the Guarantor secretary and the chief risk officer of the Guarantor. He holds a master's degree in business administration.

Mr. HUANG Yilin (黃奕林), aged 54, was appointed as a vice president of the Guarantor on 7 April 2017. He is also a member of the CPC Committee of the Guarantor, a director of Industrial Securities (Hong Kong) Finance Holding Limited, the chairman of the board of supervisors of Aegon-Industrial Fund Management Co., Ltd. (興證全球基金管理有限公司). Mr. Huang was the general manager of the research centre, the general manager of the client assets management, an assistant to the president and the general manager of the investment banking general department, the general manager of securities trading department, Shanghai Branch of the Guarantor and the general manager of the fixed income and derivatives department of the Guarantor. Mr. Huang holds a doctor's degree.

Mr. KONG Xianglin (孔祥杰), aged 52, was appointed as a vice president of the Guarantor on 10 September 2019. He is also a director of China Securities Credit Investment Co., Ltd. (中證信用增進股份有限公司). Mr. Kong was previously an assistant to the general manager of the Linhua office, the head of the Jinhui branch, the head of the direct operation department, the head of branch management office, the general manager of the Hudong operation department, the general manager of the Fuzhou marketing centre, an assistant to the president and the head of the private banking general department of the Guarantor, a director, the general manager, the chairman of the board of directors of Industrial Securities Future Co., Ltd., the general manager of the brokerage department of the Guarantor, an assistant to the president and the head of the wealth management general department of the Guarantor. Mr. Kong holds a master's degree.

Ms. LIN Hongzhen (林紅珍), aged 54, was appointed as the chief risk officer of the Guarantor on 29 April 2022. For Ms. Lin's biography, see "– *Directors*" above.

Mr. LI Yutao (李予濤), aged 48, was appointed as the chief information officer of the Guarantor on 13 October 2019. Mr. Li was the head of the information technology development team of United Airlines, Inc., the head of the trade architecture system team of Chicago Board of Trade, a manager of the trade architecture system team of Northern Trust Corporation, an assistant manager and chief technology officer of the Zhengzhou Commodity Exchange (鄭州商品交易所), a senior vice president and a managing director of the Hong Kong Stock Exchange, the chief information officer of Shenzhen Qianhai Mercantile Exchange Co., Ltd. (深圳前海聯合交易中心有限公司) and the legal representative and the general manager of Gangsheng Technology Service (Shenzhen) Co., Ltd. (港勝技術服務(深圳)有限公司). Mr. Li holds a master's degree.

Ms. LIN Duo (林朵), aged 52, was appointed as the Board of the Guarantor secretary on 11 January 2023. She is also the general manager of the human resources department and the director of the CPC Committee organisation department of the Guarantor, and a director and the chairman of Fujian Industrial Securities Charitable Foundation (福建省興業證券慈善基金會). Ms. Lin was the general manager of culture department, the head of the CPC Committee office, the deputy general manager of the human resources department (CPC Committee organisation department), and the deputy director of the Office (CPC Committee publicity department) of the Guarantor. Ms. Lin holds a master's degree.

Mr. XU Qingchun (許清春), aged 52, was appointed as the chief financial officer of the Guarantor on 7 April 2023. He is also the general manager of the Xiamen branch of the Guarantor and a director of Haixia Equity Exchange (Fujian) Co., Ltd. (海峽股權交易中心(福建)有限公司). Mr. Xu was the general manager of the securities department, deputy general manager of compliance and risk management department of the Nanping Binjiang Middle Road branch of the Guarantor. She was also the deputy head of the preparation team, the deputy general manager, director of compliance and risk control of private finance committee and general manager of compliance and risk control department of private finance committee, general manager of operation management department, deputy general manager of compliance and management department, deputy general manager of brokerage business general department, and general manager of securities and finance department of the Fuzhou branch of the Guarantor. Mr. Xu holds a bachelor's degree.

In addition, as at the date of this Offering Circular, the Board of the Guarantor has appointed the following person to serve as a senior manager of the Guarantor, subject to the passing of relevant qualifications test:

Mr. CAI Junzheng (蔡軍政), aged 50, will succeed Ms. LIN Hongzhen as chief risk officer of the Guarantor, subject to passing the securities companies' senior management evaluation test. Mr. Cai joined the Guarantor in 2020. He was the general manager of the investment and financing business approval department of the Guarantor. Before joining the Guarantor, he served as teller, sales counter officer, loan officer, customer manager and deputy head of credit of China Construction Bank, Weinan High-tech Development Zone branch; the customer manager, product planning manager and assessor and member of loan review committee of corporate banking management department of China Minsheng Bank, Xi'an branch; the general manager of credit approval department and secretary of branch risk management committee of China Minsheng Bank, Xi'an branch; the president and secretary of the party committee of China Minsheng Bank, Baoji branch; the general manager of credit approval department of Chengdu Bank Xi'an branch; and the general manager of the headquarter of northwest business of Industrial International Trust. Mr. Cai holds a bachelor's degree.

BOARD OF THE GUARANTOR COMMITTEES

Strategy and ESG Committee

The primary duties of the Strategy and ESG Committee are to (i) study the feasibility of the Guarantor's middle to long term development plan, development strategies, integrate cultural construction into the Guarantor's strategies, and propose suggestions to the Board of the Guarantor; track and study industry policy trends, domestic and international market development trends, assess factors that may affect the Guarantor's strategies and its implementation, and promptly propose strategic adjustment suggestions to the Board of the Guarantor; (ii) study and formulate the Guarantor's social responsibility and sustainable development strategy, determine the vision, objectives, and policies of environmental, social, and corporate governance, and supervise, inspect, and evaluate the implementation of the Guarantor's social responsibility and sustainable development strategy; (iii) propose opinions and make recommendations on the implementation of the Guarantor's development strategy planning, business plan, investment plan and basic management system according to the decisions of the board of the Guarantor; (iv) hear the report of the President of the Guarantor on the Guarantor's business management, and to inspect and supervise the implementation of the Board of the Guarantor resolutions; (v) review the Guarantor's decisions in relation to material mergers, acquisitions, and investment and financing plans, and propose suggestions to the board of the Guarantor and provide advice to the Board of the Guarantor; (vi) decide, as authorised by the Board of the Guarantor, on the matters of equity investment and disposal within one year, which accounts for less than 5 per cent. of the Guarantor's net assets in the most recent audited financial statements and does not exceed RMB400 million in total, and to decide, as authorised by the Board of the Guarantor, on fixed asset investment and disposal matters with a single amount between RMB50 million and RMB200 million; (vii) decide, as authorised by the Board of the Guarantor, on the establishment of the Guarantor's internal management organisation and the Guarantor's branch offices; (viii) review the Guarantor's basic management system, etc.; (ix) conduct comprehensive review and evaluation of the Guarantor's governance structure to ensure that financial reporting, risk management, and internal control comply with relevant laws and regulations; (x) review the material decisions made by the Board of the Guarantor and provide advice; and (xi) perform other duties and responsibilities delegated by the Board of the Guarantor and the articles of association of the Guarantor.

Audit Committee

The primary duties of the Audit Committee are to (i) nominate/replace and monitor the Group's external auditors, (ii) coordinate between the internal auditing team and the external auditors (iii) review and supervise the Group's financial information and financial reporting process, (iv) oversee and evaluate the internal auditing of the Guarantor; (v) oversee the risk management and internal control procedures of the Guarantor, (vi) confirm the list of related parties, control the Guarantor's related party transactions, review and examine major related party transactions, form written opinions and submit to the Board of the Guarantor for consideration, and (vii) perform other duties and responsibilities delegated by the Board of the Guarantor.

Risk Control Committee

The primary duties of the Risk Control Committee are to (i) review and advise on the general goals, policies and systems in relation to risk management and compliance of the Guarantor, (ii) advise on the risk appetite and risk tolerance of the Guarantor, (iii) review and advise on institution establishment and its responsibilities in relation to compliance management and risk management, (iv) evaluate and advise on the solutions in relation to material decisions and material risks, (v) review and advise on the compliance report and risk evaluation reports to be reviewed by the Board of the Guarantor, (vi) perform the duties in relation to risk management of money laundering as authorised by the Board of the Guarantor – to authorise the senior management to take the lead in money laundering risk management; to review anti-money laundering work reports on a regular basis, and to keep abreast of major money laundering risk events and their handling; and (vii) perform other duties and responsibilities delegated by the Board of the Guarantor and relevant regulations.

Remuneration and Review Committee

The primary duties of the Remuneration and Review Committee are to (i) make recommendations to the Board of the Guarantor on its composition in accordance with the Guarantor's operations, asset scale and shareholding structure, (ii) advise on the selection procedure and standards of the Board of the Guarantor and the senior management, review and make recommendations to the Board of the Guarantor on candidates for the Board of the Guarantor and senior management positions, (iii) search candidates for the Board of the Guarantor and senior management positions, (iv) propose and implement the remuneration plans and policies for the Board of the Guarantor and senior management, (v) consider, propose and implement the review standards for the Board of the Guarantor and senior management, (vi) supervise the implementation of the remuneration policies, and (vii) perform other duties and responsibilities delegated by the Board of the Guarantor.

INTERESTS IN SECURITIES OF THE DIRECTORS OF THE GUARANTOR

As at 31 December 2022, the directors of the Guarantor did not hold any shares of the Guarantor.

EMOLUMENT POLICY

The directors of the Guarantor receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the directors of the Guarantor, as well as the performance of the Group.

The Group regularly reviews and determines the remuneration and compensation packages of the directors of the Guarantor by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the directors the Guarantor and the performance of the Group.

The Board of the Guarantor reviews and determines the remuneration and compensation packages of the directors of the Guarantor with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

REMUNERATION OF DIRECTORS OF THE GUARANTOR

For the years ended 31 December 2020, 2021 and 2022, the aggregate fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses paid by the Guarantor to the then directors, supervisors and senior management as a group for services in all capacities provided to the Guarantor were approximately RMB25.39 million, RMB26.66 million and RMB23.54 million, respectively.

DIRECTORS OF THE ISSUER

DIRECTORS

The Issuer's board of directors (the "**Board of the Issuer**") consists of five members, of which one is an executive directors, one is a non-executive director and three are independent non-executive directors. The Board of the Issuer is responsible and has general powers for the management and conduct of the Issuer's businesses. The table below sets out certain information in respect of the Issuer's directors as at the date of this Offering Circular:

Name	Age	Position
HU Pingsheng (胡平生). . . .	59	Chairman and non-executive director of the Issuer
ZHANG Chunjuan (張春娟).	39	Executive director, chief executive officer and chief financial officer of the Issuer
HONG Ying (洪瑛).	73	Independent non-executive director
TIAN Li (田力)	55	Independent non-executive director
QIN Shuo (秦朔)	55	Independent non-executive director

Non-executive Director

Mr. HU Pingsheng (胡平生), aged 59, was appointed as a non-executive director and the chairman of the Board of the Issuer, the chairman of nomination committee, and a member of each of the audit committee and the remuneration committee under the Board of the Issuer on 29 July 2022. Mr. Hu was also appointed as a director of Industrial Securities (Hong Kong) Financial Holdings Limited on 27 June 2022, which is the controlling shareholder of the Issuer (as defined in the Listing Rules). Mr. Hu has over 24 years of experience in the financial services industry.

Mr. Hu joined the Guarantor in 1998. He was the deputy general manager of research and development centre, the deputy general manager of investment banking headquarter, the officer of board secretariat, the office manager and the board secretary of the Guarantor. Mr. Hu is currently a member of the party committee and a vice president of the Guarantor.

Mr. Hu obtained a doctorate degree in political economy from Fudan University, the PRC in June 1998.

Executive Director

Ms. ZHANG Chunjuan (張春娟), aged 39, was appointed as an executive director on 2 August 2019. She was appointed as chief financial officer of the Issuer on 17 July 2019. Ms. Zhang is also a director of various subsidiaries of the Issuer Group. Ms. Zhang was appointed as a deputy chief executive officer and chief financial officer of Industrial Securities (Hong Kong) Financial Holdings Limited, the controlling shareholder of the Issuer (as defined in the Listing Rules) on 19 March 2019, she was also appointed as an executive director, general manager and legal representative of Industrial Securities Consultancy Service (Shenzhen) Company Limited on 18 January 2024, which is the subsidiary of Industrial Securities (Hong Kong) Financial Holdings Limited. Currently, she is a director of Intelligent Capital Company Limited and manager of Artland International Company Limited LLC and 118 East 59th Street Realty LLC. Ms. Zhang was deputy chief executive officer and chief compliance officer of the Issuer from 17 July 2029 to 18 January 2024. Ms. Zhang has over 15 years of experience in financial services industry.

From July 2008 to September 2013, Ms. Zhang served as the manager of information management and analysis department of the integrated business planning department of planning and finance department of the Guarantor. From October 2013 to April 2015, Ms. Zhang served as the manager and senior manager of tax planning and accounting internal control department of finance department of the Guarantor. From May 2015 to May 2017, Ms. Zhang served as the manager and senior manager of financial management and analysis department financial management division of finance department of the Guarantor. From May 2017 to December 2017, Ms. Zhang served as the assistant general manager of finance department and manager of financial management analysis department. From January 2018 to October 2018, Ms. Zhang served as the director of planning and analysis department of planning and finance department of the Guarantor. From October 2018 to March 2019, Ms. Zhang served as the assistant general manager of planning and finance department and the director of planning and analysis department of the Guarantor.

Ms. Zhang obtained a masters' degree in accounting from Shanghai University of Finance and Economics in July 2008. She is also a certified public accountant and intermediate accountant of the PRC.

Independent Non-executive Directors

Ms. HONG Ying (洪瑛), aged 73, was appointed as an independent non-executive director on 27 July 2016 and the chairlady of Audit Committee under the Board of the Issuer on 30 September 2016. Ms. Hong has over 44 years of experience in the accounting industry. Ms. Hong is also qualified as a fellow certified public accountant and senior accountant in the PRC and a fellow certified public accountant of CPA Australia, and international associate member of Hong Kong CPA. Currently, Ms. Hong is the chairlady and shareholder of Beijing Fortune C.P.A Limited, a firm engaged in enterprise audit and accounting and consulting services, which is based in the PRC. Ms. Hong is also the chairlady and legal representative of Beijing Fortune International Enterprise Management Consulting Limited, and the chairlady of Fortune International (Asia) Limited and a director and council member of The Hong Kong Independent Non-Executive Director Association. Ms. Hong is also as an independent director of Hangzhou Wanshili Silk Culture Co., Ltd. (杭州萬事利絲綢文化股份有限公司), and a director of The Hong Kong Chinese Enterprises Association.

Ms. Hong completed the Finance CEO programme jointly offered by the Cheung Kong Graduate School of Business, Columbia Business School and London Business School in January 2009, and obtained a certificate in Executive Management from the Golden Gate University, the United States in August 1993.

Mr. TIAN Li (田力), aged 55, was appointed as an independent non-executive director on 27 July 2016 and the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee under the Board of the Issuer on 30 September 2016. Mr. Tian has over 22 years of experience in the financial services industry. Currently, Mr. Tian is a director of Shanghai Tuhong Investment Management Company Limited (上海圖鴻投資管理有限公司), a company primarily engages in strategic investment, asset management, and the provision of corporate advisory services. He is also the chairman of Windsor School Holding LLC (US), an executive director of New York Institute of Finance Inc., an executive director and chief executive officer of NYIF International Holding LLC, a legal representative of NYIF Information Technology Development Co., Ltd. and a managing director of Shanghai Li Ding Information Technology Development Limited (上海力鼎信息科技發展有限公司) and Shanghai Hui Sheng Equity Investment Management Limited (上海惠盛股權投資管理有限公司) respectively. Mr. Tian's previous experiences include employment with Bank of China International Limited as group executive director and head of financial institutions from January 2002 to October 2004.

Mr. Tian graduated with a bachelor's degree in engineering from the People's Liberation Army University of Science and Technology (previously known as the People's Liberation Army Institute of Engineering Corps), the PRC, in July 1990. He then obtained a master's degree in civil engineering from Cleveland State University, the United States, in August 1996, and a further master degree in business administration from Duke University, the United States, in May 1999.

Mr. QIN Shuo (秦朔), aged 55, was appointed as an independent non-executive director on 27 July 2016 and a member of remuneration committee and nomination committee under the Board of the Issuer on 30 September 2016. Mr. Qin was the chief editor of China Business News (第一財經日報), from June 2004 to October 2015 and was an independent director of Shenzhen Bosun Institute of

Management Science Co. Ltd (深圳市博商管理科學研究院股份有限公司), a consulting company trading on the National Equities Exchange and Quotations system in the PRC. Currently, Mr. Qin is a director of Guangzhou Microdream Media Co., Ltd. (廣州市匯志文化傳播股份有限公司), and an independent director of Oppein Home Group Inc. (歐派家居集團股份有限公司), whose shares are listed on The Shanghai Stock Exchange (stock code: 603833.SS).

Mr. Qin graduated with a bachelor's degree in journalism from Fudan University, the PRC in July 1990, a master degree in public administration from California State University (Northridge), the United States, in June 2001 and further obtained his doctorate degree in business administration from Sun Yat-sen University, the PRC, in June 2009.

EMOLUMENT POLICY

The directors of the Issuer receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the directors, as well as the performance of the Group.

The Group regularly reviews and determines the remuneration and compensation packages of the directors by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of the directors and the performance of the Group.

The Remuneration Committee reviews and determines the remuneration and compensation packages of the directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group.

REMUNERATION OF DIRECTORS AND CERTAIN EMPLOYEES OF THE ISSUER

For the years ended 31 December 2020, 2021 and 2022, the aggregate director's fee, salaries and allowances and retirement benefits scheme contribution, other benefits in kind and/or discretionary bonuses paid by the Issuer to the directors were approximately HK$12.75 million, HK$15.30 million and HK$13.61 million, respectively.

For the years ended 31 December 2020, 2021 and 2022, the aggregate salaries and allowances, other benefits in kind, discretionary bonuses and retirement benefits scheme contribution paid by the Issuer to the five highest paid individuals was approximately HK$26.83 million, HK$26.98 million and HK$24.28 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by the Issuer to the directors and the five highest paid individuals for the years ended 31 December 2020, 2021 and 2022, respectively.

BOARD OF THE ISSUER COMMITTEES

AUDIT COMMITTEE

The Audit Committee consists of three members, namely Ms. Hong Ying, Mr. Hu Pingsheng and Mr. Tian Li. Ms. Hong Ying is the chairlady of the Audit Committee. Written terms of reference for the Audit Committee were adopted in accordance with the Listing Rules and the code provisions under the Corporate Governance Code (the "**CG Code**").

The primary duties of the Audit Committee are to review and supervise the financial reporting process, to nominate and monitor the external auditor and to oversee the risk management and internal control procedures of the Issuer.

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, namely Mr. Tian Li, Mr. Hu Pingsheng and Mr. Qin Shuo. Mr. Tian Li is the chairman of the Remuneration Committee. Written terms of reference for the Remuneration Committee were adopted in accordance with the Listing Rules and the code provisions under the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to the Board of the Issuer on the overall remuneration policy and structure relating to all directors and senior management of the Issuer, and to ensure that none of the directors determine their own remuneration.

NOMINATION COMMITTEE

The Nomination Committee consists of three members, namely Mr. Hu Pingsheng, Mr. Tian Li and Mr. Qin Shuo. Mr. Hu Pingsheng is the chairman of the Nomination Committee. Written terms of reference for the Nomination Committee were adopted in accordance with the Listing Rules and the code provisions under the CG Code.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board of the Issuer annually, to formulate the nomination policy and implement the nomination policy, to identify individuals suitably qualified to become members of the Board of the Issuer, to assess the independence of the independent non-executive directors, and to make recommendations to the Board of the Issuer on relevant matters relating to appointments of directors.

INTERESTS IN SECURITIES OF THE DIRECTORS OF THE ISSUER

As at 30 June 2023, according to the register maintained by the Issuer pursuant to section 352 of the SFO, or as otherwise have been notified to the Issuer and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"), the interests of the directors in the shares and underlying shares of the Issuer were as follows:

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage
Hu Pingsheng	Beneficial owner	7,204,858	0.18%

SUBSTANTIAL SHAREHOLDERS OF THE ISSUER

The register of substantial shareholders maintained by the Issuer pursuant to section 336 of the SFO shows that, as at 30 June 2023, the following shareholders, other than those disclosed in the section headed "Interests in Securities of the Directors of the Issuer", had notified the Issuer of their relevant interests in the shares and underlying shares of the Issuer as follows:

Name	Nature of Interest	No. of Shares held	Approximate percentage of Shareholding
Industrial Securities (Hong Kong) Financial Holdings Limited	Beneficial owner	2,219,827,644	55.5%
Industrial Securities Co., Ltd.[(1)]	Interest of controlled corporation	2,219,827,644	55.5%
Harvest Capital Management Co., Ltd[(2)]	Investment manager	293,232,000	7.33%
Harvest Fund Management Co., Ltd.[(2)]	Interest of controlled corporation	293,232,000	7.33%
China Credit Trust Co., Ltd[(2)]	Interest of controlled corporation	293,232,000	7.33%
Hao Kang Financial Holdings (Group) Limited	Beneficial owner	205,853,089	5.15%
Apex Trade Holdings Limited	Interest of controlled corporation	205,853,089	5.15%
Chen Jiaquan[(3)]	Interest of controlled corporation	205,853,089	5.15%
Yang Zhiying[(4)]	Interest of spouse	205,853,089	5.15%

Notes:

(1) Industrial Securities Co., Ltd. holds the entire issued share capital of Industrial Securities (Hong Kong) Financial Holdings Limited. Therefore, Industrial Securities Co., Ltd. is deemed or taken to be interested in all the shares of the Issuer held by Industrial Securities (Hong Kong) Financial Holdings Limited for the purposes of the SFO.

(2) China Credit Trust Co., Ltd holds 40 per cent. of the entire issued share capital of Harvest Fund Management Co., Ltd., and Harvest Fund Management Co., Ltd. holds 75 per cent. of the entire issued share capital of Harvest Capital Management Co., Ltd. Therefore, China Credit Trust Co., Ltd and Harvest Fund Management Co., Ltd. are deemed or taken to be interested in all the shares of the Issuer held by Harvest Capital Management Co., Ltd for the purposes of the SFO.

(3) Chen Jiaquan holds 70 per cent. of the total issued share capital of Apex Trade Holdings Limited and is the sole director of Hao Kang Financial Holdings (Group) Limited and therefore is deemed or taken to be interested in all the shares of the Issuer held by Apex Trade Holdings Limited and Hao Kang Financial Holdings (Group) Limited for the purpose of the SFO.

(4) Yang Zhiying is the spouse of Chen Jiaquan. Under the SFO, Yang Zhiying is deemed, or is taken to be, interested in all the shares of the Issuer in which Chen Jiaquan is interested.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds 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 the Bonds 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 Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of Bonds.

Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Bonds will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Bonds and gains derived from the sale of the Bonds will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Bonds. However, an instrument of transfer in respect of the Bonds is stampable if executed in or brought into the Cayman Islands.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

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 Bonds 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:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Bonds 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;

(c) interest on the Bonds 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

(d) interest on the Bonds 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 or redemption of Bonds 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 Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds 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 Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds 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

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

The following summary describes the principal PRC tax consequences of ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, 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, effective on 1 January 2008 and amended on 24 February 2017, 29 December 2018 and its implementation regulations, effective on 1 January 2008 and amended on 23 April 2019 enterprises that are established under the laws of foreign countries and territories (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of 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 sourced from both within and outside of the PRC. The implementation regulations of the EIT Law define the location of the "de facto management body" as an "organisational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise".

In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies (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 State Administration of Taxation (the "**SAT**") on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group would be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (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) main 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, reside within the PRC. Pursuant to the Announcement on Issuing the Administrative Measures for the Income Tax on Chinese-controlled Resident Enterprises Registered Overseas (境外註冊中資控股居民企業所得稅管理辦法) issued by the SAT which became effective on 1 September 2011 and was most recently amended on 15 June 2018, and relevant rules, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the provincial or local tax authorities through the application of the foreign enterprise or the investigation of the relevant tax authorities.

If the 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 the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income from sources both within and outside of the PRC. If a holder of Bonds is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant holder's investment in the Bonds may be materially and adversely affected. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its establishment or place of business 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 acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise holder of Bonds (the tax would be withheld at source), and gain from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on 1 September 2011, was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which was amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual holder of Bonds, and gains realised on the transfer of the Bonds by the non-resident individual holder of Bonds may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10 per cent. for non-resident enterprise holders of Bonds and 20 per cent. in the case of non-resident individual holders of Bonds, subject to the provisions of any applicable income tax treaty. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, which allows a lower rate of withholding tax, such lower rate may apply to qualified non-resident holders of Bonds. If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's non-resident holders of Bonds, the Issuer will be required to pay these additional amounts which will result in receipt by these holders of Bonds of interest payment amounts as if no such withholding had been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-resident enterprise holders of Bonds and 20 per cent. for non-resident individual holders of Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, which allows a lower rate of withholding tax, such lower rate may apply to qualified non-resident holders of Bonds.

On 23 March 2016, the Ministry of Finance and the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax(關於全面推開營業税改征增值税試點的通知)(the "**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 China shall be subject to VAT. 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 Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the holders of Bonds may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of Bonds may subject to withholding VAT at the rate of 6 per cent. In addition, as the Parent Guarantor is located in the PRC, in the event that the Parent Guarantor is required to fulfil its obligations under the Parent Guarantee by making interest payments on behalf of the Issuer, the Parent Guarantor may be required to withhold VAT at a rate of 6 per cent. on such payments to non-resident holders of Bonds if the holders of Bonds are regarded as providing financial services within the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer 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 Bonds is located inside the PRC.

Recently, the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates(關於調整增值税税率的通知)(Caishui [2018] No. 32, "**Circular 32**"), which was issued on 4 April 2018 and effective on 5 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, and (ii) for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值税改革有關政策的公告)(Announcement [2019] No. 39, "**Announcement 39**") promulgated by MOF, SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (ii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent. As Circular 32 and Announcement 39 are relatively new regulations, these confirmatory statements may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Securities is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC

PRC REGULATIONS

Overview

The Guarantor is a securities company in the PRC and is subject to the regulation of the CSRC and other authorities. The securities and futures business of the Guarantor is subject to the applicable regulations of the PRC in the areas at industry entry, business regulation, corporate governance and risk control. Our operations shall also comply with other general regulations of the PRC, including laws, regulations, rules and other regulatory documents in respect of foreign exchange control, taxation and anti-money laundering.

Major Regulatory Authorities and Self-Regulatory Organisations

The operations of the Guarantor are mainly supervised and regulated by the following authorities in the PRC:

CSRC

The CSRC is the major regulatory authority in the securities and futures industry, which is responsible for the unified supervision and management of the securities and futures markets of the PRC and for maintaining the market order thereof, and to secure their lawful operations in accordance with the laws, regulations and within the authorisation of the State Council. According to the Securities Law (《證券法》)(amended on 28 December 2019 and became effective on 1 March 2020) and the Administrative Regulations on Futures Trading (《期貨交易管理條例》)(amended on 1 March 2017), the main duties of the CSRC include: to formulate the regulations and rules in relation to the supervision and regulation of the securities and futures markets and to conduct approval, verification, registration and record-filing in accordance with the law; to supervise and regulate the issuance, listing, trading, registration, deposit and settlement of securities and other securities related activities and the listing, trading, settlement and delivery of futures and related activities; to supervise and regulate the securities activities of securities issuers, securities companies, securities service organisations, stock exchanges and securities registration and settlement organisations, as well as futures activities of market participants, including futures exchanges, futures companies, other futures business institutions, non-futures companies clearing member, futures margin security depository management companies, futures margin depository banks, settlement houses and so forth; to formulate the codes of conduct for securities business personnel and supervise the implementation of the same, and to formulate the standards for accrediting and measures for regulating the qualifications of futures practitioners and supervise the implementation of those standards and measures; to legally supervise the disclosure of information in relation to the issuance, listing and trading of securities and information on futures trading; to legally guide and supervise the self-regulatory activities of the Securities Association of China (the "**SAC**") and the China Futures Association (the "**CFA**"); to monitor, prevent and dispose of risks in the securities market in accordance the law; to provide education for investors in accordance the law; to investigate activities in violation of laws and administrative regulations in relation to the securities and futures markets; to conduct external and international cooperative transactions in relation to the supervision and management of the securities and futures industries; and to perform other duties stipulated by the relevant laws and administrative regulations.

Stock Exchanges

According to the Securities Law, a stock exchange is a self-regulatory legal entity which provides venues and facilities for the centralised trading of securities and organises and supervises the trading of securities. Shanghai Stock Exchange and Shenzhen Stock Exchange are the two major stock exchanges in the PRC.

Futures Exchanges

Under the Administrative Regulations on Futures Trading (《期貨交易管理條例》), a futures exchange is a non-profit self-regulatory legal entity which provides venues and facilities for the centralised trading of futures and organises and supervises the trading of futures. The main duties of a futures exchange include: to provide venues, facilities and services for trading; to design futures trading contracts and to arrange the listing of futures trading contracts; to organise and supervise the trading, clearing and settlement of futures; to provide centralised performance guarantees for futures trading; to supervise and manage its members in accordance with its articles of association and trading rules; and to perform other duties as specified by the CSRC.

SAC

According to the relevant provisions of the Securities Law, the SAC is a self-regulatory organisation of the securities industry and is a non-profit public legal entity. Securities companies shall join the SAC. The main duties of the SAC include: to educate and organise its members and practitioners to observe securities laws and administrative regulations; to organise the credit development of the securities industry, and urge the securities industry to perform its social responsibilities; to safeguard the legitimate rights and interests of its members and report suggestions and requirements of its members to the securities regulatory body; to urge members to carry out investor education and protection activities, and safeguard the legitimate rights and interests of investors; to formulate and implement self-regulatory rules in the securities industry, supervise and inspect the conduct of members and their practitioners, and carry out disciplinary actions or impose other self-regulatory measures in accordance with provisions for violations of laws, administrative regulations, self-regulatory rules or the articles of association of the SAC; to formulate business norms for the securities industry and organise business training for practitioners; to organise its members to carry out research on the development and operation of the securities industry and relevant content, to collect, sort and release securities-related information, to provide membership services, to organise industry exchanges and to guide the innovative development of the industry; to mediate any dispute relating to securities operations that arises between members or between members and their clients; and to perform any other responsibility specified in the articles of association of the SAC.

CFA

Pursuant to the relevant provisions of the Administration Regulations on Futures Trading (《期貨交易管理條例》), the CFA is a self-regulatory organisation of the futures industry and is a non-profit public legal entity. Futures companies and other organisations specialising in the business of futures shall join the CFA. The main duties of the CFA include: to educate and advise its members to comply with the laws, regulations and policies in relation to futures; to formulate self-regulatory rules binding on its members and to supervise and examine the conduct of its members and take disciplinary actions against the violation of its articles of association or self-regulatory rules in accordance with relevant provisions; to accredit, manage and de-register the qualifications of futures practitioners; to deal with complaints of clients in relation to the futures business and to mediate disputes between members or between members and their clients; to protect the lawful rights and interests of its members and forward their proposals and requests to the futures supervision and management authorities of the State Council; to organise training and seminars for futures practitioners; to organise for its members the study of development, operation and other matters of the futures industry; and to perform other duties stipulated in the articles of association of the CFA.

Asset Management Association of China (the "AMAC")

Pursuant to the relevant provisions of the Law of the People's Republic of China on Securities Investment Fund (《中華人民共和國證券投資基金法》)(the "**Securities Investment Fund Law**") (amended on 24 April 2015 with immediate effect), AMAC is a self-regulatory organisation of the securities investment fund industry and is a public legal entity. Fund managers and fund custodians shall join AMAC, and fund service organisations may join AMAC. The main duties of AMAC include: to educate and advise its members to comply with the laws and administrative rules governing securities investments and to protect the lawful rights and interests of the investors; to protect the lawful rights and interests of its members and to submit their proposals and requests; to formulate and implement self-regulatory rules, to supervise and investigate the practices of its members and practitioners, and to take disciplinary actions against the violation of the self-regulatory rules and its articles of association in accordance with relevant provisions; to formulate practice standards and business rules and to organise the qualification examinations, qualification management and professional training for fund practitioners; to provide membership service, organise seminars, promote innovation and launch propaganda and investor education activities in the securities industry; to mediate disputes arising from fund business between members or between members and their clients; to handle the registration and filing of non-publicly offered funds in accordance with the law; and to perform other duties stipulated in its articles of association.

Other Industry Organisations

Other major industry organisations include PBOC, SAFE, CSDC, China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), China Futures Margin Monitoring Centre Co., Ltd (中國期貨保證金監控中心有限公司), China Financial Futures Exchange (中國金融期貨交易所), the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), China Banking and Insurance Regulatory Commission (CBIRC)(中國銀行保險監督管理委員會), National Equities Exchange and Quotations Company Limited (全國中小企業股份轉讓系統有限公司) and China Securities Finance Corporation Limited (中國證券金融股份有限公司).

Intra-Group Lending

On 19 August 2020, the Supreme People's Court issued the Regulations on Application of Laws to Certain Issues For Hearing of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定)("**Regulations**"), which became effective on 20 August 2020. Pursuant to the Regulations, subject to certain exceptions, an intra-group lending entered into for production or operating purposes is valid and recognised by the PRC courts. However, the validity of such lending may still be challenged if the lender (not being a financial institution) regularly conducts lending business or its lending activities become its primary business, as such loans would no longer be made for production or business operation purposes. The PRC courts shall identify a private lending contract as void where the lender provides loans for an unspecified number of individuals for profit without legally obtaining the relevant lending qualification.

External Security Regime

Cross-Border Guarantee Laws

On 12 May 2014, the SAFE promulgated the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (《跨境擔保外匯管理規定》)(the "**SAFE Provisions**"). The Guarantor is required by the SAFE Measures to register the Guarantee with SAFE within 15 working days of the date of execution of the Guarantee. Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE registration. Further, there may be 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 SAFE registration in connection with the Guarantee in order to effect such remittance. In case of any change in the major clauses of the Deed of Guarantee, the Guarantor shall apply for the amendment registration.

Foreign Debt Laws

SAFE issued the Administrative Measures for Foreign Debt Registration and its operating guidelines (the "**SAFE Measures**") on 28 April 2013, which came into effect on 13 May 2013. According to the SAFE Measures, the debtor shall submit foreign debt registration when borrowing foreign debts in accordance with laws and regulations. Domestic debtors other than financial institutions and banks (the "**Non-Bank Debtors**") shall submit filing or registration procedures of foreign debts with the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration promulgated together with the SAFE Measures and the Operating Guidelines for Foreign Exchange Business under the Capital Account (2017 Version), Non-Bank Debtors shall apply for foreign debt registration procedure within five working days after execution of related deeds of foreign debts. In addition, the PBOC issued the Circular of the People's Bank of China on Matters relating to the Macro-prudential Management of Full-covered Cross-border Financing (《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》)(the "**PBOC Circular**") on 12 January 2017 which came into effect on the same date. According to the PBOC Circular, the Guarantor is also required to file the issue of the Bonds with SAFE within the timeframe prescribed in the PBOC Circular. If the Guarantor fails to report or update the cross-border financing information in time, the PBOC and the SAFE may circulate the criticism on the securities issuer after verification, order a rectification, and impose sanctions according to the Law of the People's Republic of China on People's Bank of China and the Law of the People's Republic of China on Foreign Exchange Control. The aforementioned circular and guidelines will be applicable to the issue of the Bonds, and the Guarantor is required to complete the filing with the SAFE within five PRC business days after the delivery of the Bonds. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable as a matter of PRC law and it may be difficult for Bondholders to recover amounts due from the Guarantor, and the Guarantor may not be able to remit the proceeds of the issue of the Bonds into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. In the unlikely event that the Guarantor is unable to complete such registration within the relevant time period, Bondholders will have the right to require the Issue to redeem their holding of Bonds. However, notwithstanding such right, if the Guarantor fails to complete the registration with the local branch of SAFE, the Guarantor may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgements obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may be materially and adversely affected.

Regulation on the Issuance of Foreign Notes

NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and repealed the Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the "**NDRC Notice**")(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) on the same date. According to the NDRC Administrative Measures, an enterprise shall undergo formalities for approval and registration procedure managed by the NDRC to obtain the Certificate of Approval and Registration. Without prior approval and registration, no foreign debt may be borrowed. The NDRC Administrative Measures further (i) tighten requirements on the condition of enterprises for borrowing foreign debt; (ii) clarify the penalties and legal liability of non-compliant enterprises, relevant intermediaries and responsible persons; (iii) broaden the scope of responsibility of such enterprises, intermediary or person and (iv) increase the legal consequences for non-compliant entities. The NDRC Administrative Measures also prohibit foreign debt proceeds from being used to threaten information and data security, to increase local government's hidden debts, or for speculative purposes. Under the NDRC Administrative Measures, the enterprise shall, (i) within 10 working days after the borrowing of each foreign debt, submit the information on the borrowed foreign debt to the NDRC, (ii) within 10 working days after the expiration of the Certificate of Approval and Registration, file a report with the NDRC on the status of the borrowed foreign debt, and (iii) within five working days prior to the end of January and end of July each year, file a report with the NDRC detailing the deployment of proceeds as of the applicable period, the status of payment obligations, as well as material information pertaining to the issuer's (or the guarantor's, as the case may be) operations. Where a material development may affect the issuer's (or the guarantor's, as the case may be) ability to perform its obligation to repay its debt securities, or upon the occurrence of any material development, the enterprise shall file a report with the NDRC in a timely manner. According to the detailed guideline of the NDRC Administrative Measures available on the official website of the NDRC, the relevant pre-issuance registration certificate for foreign debts, which were obtained in accordance with the NDRC Notice and within their effective period, shall remain in force after the implementation of the NDRC Administrative Measures, and enterprises shall borrow the foreign debts in accordance such registration certificates, and comply with the relevant requirements relating to the risk management of foreign debts and ongoing and post-event supervisions under the NDRC Administrative Measures.

Industry Entry Requirements

Industry Entry Requirements of Securities Companies

Establishment

The Securities Law and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》)(effective from 1 June 2008 and amended on 29 July 2014), explicitly set out the scope of business, industry entry standards, organisations, business rules of securities companies and other requirements for the operations of securities companies. The establishment of a securities company shall be approved by the CSRC and the securities company shall obtain a business license by meeting the following conditions:

- its articles of association shall comply with the laws and administrative regulations;

- its major shareholders shall have sustainable profitability, good reputation and no record of major violation of laws or regulations in the last three years and shall have net assets not less than RMB200 million;

- it shall have the necessary registered capital required by the Securities Law; for a securities company operating securities brokerage, securities investment consultation and financial advisory business in relation to securities trading and securities investment, the minimum registered capital shall be RMB50 million; for companies operating one of the areas at securities underwriting and sponsorship, proprietary securities trading, securities asset management or other securities businesses, the minimum registered capital shall be RMB100 million; for companies operating two or more of the areas at securities underwriting and sponsorship, proprietary securities trading, securities asset management or other securities businesses, the minimum registered capital shall be RMB500 million. The registered capital of a securities company shall be paid-in capital;

- its directors, supervisors and senior management shall have the required qualifications, while other personnel involved in the securities business shall possess proper professional qualifications, and no less than three of the senior officers shall have served as senior officers for no less than two years in the securities industry; and

- it shall have effective risk management and internal control systems; it shall have proper premises and facilities for operation; and it shall fulfil other conditions stipulated by laws, administrative rules and the CSRC.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》)(effective from 5 July 2019 and amended on 18 April 2021), the CSRC shall examine and approve its registered capital and equity structure at the time of establishment of a securities company, and various types of stakeholders of the securities companies shall satisfy the relevant criteria.

According to the provisions of the Judging Criteria and Guidelines on Controlling Relationships of Securities Companies (《關於證券公司控制關係的認定標準及相關指導意見》) promulgated by the CSRC in March 2008, the same unit or individual, or units or individuals under de facto common control of the same unit or individual, shall not hold equity interests in more than two securities companies and shall not hold controlling interests in more than one securities company. Any entity or individual in companies that satisfy any of the following conditions shall not be included in the number of equity interests or controlling interests in securities companies:

- it holds less than 5 per cent. (excluding 5 per cent.) of the shares of listed securities companies through securities trading on any stock exchange;

- it controls a securities company via investment relationship, agreement(s) or other arrangements, while such securities company holds equity or controlling interests in other securities companies in accordance with law;

- it is a subsidiary established by a securities company in accordance with law upon approval of the CSRC and engages in securities business; and

- other circumstances as identified by the CSRC.

According to the Administrative Measures on Foreign-funded Securities Companies (《外商投資證券公司管理辦法》) promulgated by the CSRC (amended on 20 March 2020 with immediate effect) which stipulates the conditions and procedures for the formation of foreign-invested securities companies, foreign investors who lawfully hold 5 per cent. or more of the shares in a listed domestically funded securities company through securities trading on a stock exchange or who jointly hold 5 per cent. or more of the shares in a listed domestically funded securities company with others by agreement or other arrangements shall comply with the Securities Law and the relevant provisions of the CSRC on examination and approval for acquisition of a listed company and change in securities company.

Establishment of a foreign-funded securities company shall, in addition to compliance with the Company Law, the Securities Law, the Administrative Regulations on Supervision and Administration of Securities Companies and the criteria for establishment of securities company stipulated by the CSRC with approval by the State Council, satisfy the following criteria:

- the overseas shareholder(s) satisfy(ies) the qualification criteria stipulated in Administrative Measures on Foreign-funded Securities Companies, and its/their capital contribution ratio and capital contribution method comply with the relevant provisions of these Measures;

- the preliminary scope of business is compatible with the securities business experience of the controlling shareholder or the largest shareholder; and

- any other prudential criteria stipulated by the CSRC.

The following conditions shall be met for a foreign shareholder of a foreign-invested securities company:

- the country or region in which the foreign shareholder is based has complete securities laws and regulation system, of which the relevant financial regulatory authorities have entered into a memorandum of understanding with the CSRC or institutions recognised by the CSRC in respect of securities regulation cooperation, and the regulation cooperation relationship has been maintained in an effective way;

- the shareholder is a financial institution legally incorporated in the country or region in which it is based, and the respective financial indicators of the shareholder for the last three years satisfy the requirements of the national or regional laws and of the regulatory authorities in that country or region;

- the shareholder is engaged in securities business for over five years, receives no material punishment during the last three years from the regulatory authorities, administrative or legal authorities of the country or region in which it is based, and not being investigated by relevant authorities due to involvement in material violation of laws and regulations;

- the shareholder has well-established internal control system;

- the shareholder enjoys good international reputation and operating results, with its business scale, revenue and profit for the last three years ranking in advanced position in international market and with its long-term credit for the last three years maintained at a high level; and

- other prudent requirements stipulated by the CSRC.

According to the Measures for Further Opening up the Financial Sector (《關於進一步擴大金融業對外開放的有關舉措》) promulgated by the State Council's Financial Stability and Development Committee on 20 July 2019, the foreign shareholding limit on securities companies, fund management companies and futures companies was removed in 2020.

In addition, according to the provisions of the Guidelines on Administrative Approval for Securities Companies No. 10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》)(promulgated on 27 August 2015), if an enterprise that is directly or indirectly owned by a foreign investor invests in a securities company, the equity interest of the foreign investor in the securities company, based on the effective equity holding, shall not be more than 5 per cent. The indirect equity interests of a foreign investor in a securities company shall be exempted from such restriction if all the following conditions are satisfied:

- the foreign investor indirectly holds the equity interests in the securities company through a listed company;

- the largest shareholder, controlling shareholder or de facto controller of the listed company is a Chinese investor;

- if there is a change in the equity structure of the listed company in the future, which resulted in the indirect shareholding of a foreign investor in the securities company through the listed company in violation of the opening-up policy of China, the matter shall be rectified within a specified period; the relevant equity interest shall not carry a voting interest if such matter is not rectified in the due time; and

- the foreign investor shall be prohibited from establishing any joint ventures securities company with a domestic securities company or making strategic investments in a listed securities company as long as the foreign investor indirectly owns not less than 5 per cent. of the equity interests in one or more domestic securities companies.

Business scope

According to the provisions of the Securities Law, a securities company can conduct any or all of the following businesses with approval from the CSRC: securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; proprietary securities trading; securities asset management; and other securities business.

According to the provisions of the Regulations on the Examination and Approval of the Scope of Business of Securities Companies (Provisional)(《證券公司業務範圍審批暫行規定》)(effective from 1 December 2008 and amended on 7 December 2017 and 30 October 2020), securities companies under common control of an entity or individual or securities companies with control relationship shall not engage in the same business, unless effective measures are in place for division of operation regions or client bases and there is no competition between the companies. Unless otherwise specified by the CSRC, the scope of business of a securities company shall be approved by the CSRC upon its establishment in accordance with the statutory requirements, and no more than four types of new businesses shall be approved. A securities company shall obtain approval from the CSRC for any change in its scope of business. Changing business scope includes increasing business types and reducing business types. No more than two additional types of business can be applied for increasing business types at once. Subject to approval by the CSRC, a securities company may operate businesses not prohibited by the Securities Law, the Regulations on Supervision and Administration of Securities Companies and the rules and regulations and normative documents of the CSRC.

Material changes

According to the provisions of the Securities Law and the Regulations on Supervision and Administration of Securities Companies (《證券公司監督管理條例》), a securities company shall obtain approval from the CSRC if it has any of the following acts:

- establishment, acquisition or de-registration of a branch of a securities company;
- change of the scope of business or registered capital;
- change of any shareholder(s) directly or indirectly holding more than 5 per cent. of the shares;
- change of important provisions of the articles of association of a securities company;
- merger, division, change of incorporation, cessation, dissolution and bankruptcy; or
- the establishment, acquisition or equity participation in securities institutions overseas by securities companies.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》)(effective from 5 July 2019 and amended on 18 April 2021), when a securities company increases its registered capital and there is a significant equity structure adjustment, or it reduces its registered capital, or there is a change in shareholders holding 5 per cent. or more of its equity or a change of actual controlling party, the securities company shall apply to the CSRC for approval pursuant to the law. Where the change in registered capital or equity of a securities company does not fall under the circumstances set out in the preceding statement, the securities companies shall complete change registration formalities with the company registration authority within five working days and file records with the CSRC branch at its locality. This provision shall not apply to equity changes of securities companies which occur on a stock exchange or the NEEQ.

The CSRC has gradually authorised its local branches to approve some applications for material changes by securities companies. In October 2012, according to the Decision of the State Council in Relation to the Cancellation and Adjustment of the Sixth Group of Items Requiring Administrative Approval (《國務院關於第六批取消和調整行政審批項目的決定》)(effective from 23 September 2012), the approval authority of the following material changes of securities companies was formally delegated to local branches of the CSRC: change of important provisions of the articles of association of the securities companies; establishment, acquisition or de-registration of a branch; change of registered capital, including the approval of the qualification of shareholder(s) or the de facto controller(s), or the change of de facto controller(s), controlling shareholder(s) or shareholder(s) with the largest shareholding of an unlisted securities company in connection with an increase in its registered capital, and approval of a reduction of registered capital by an unlisted securities company; change of shareholder(s) with more than 5 per cent. of shareholdings and de facto controller(s) of an unlisted securities company; and increase and decrease in the business of securities brokerage, securities investment consultation and financial advisory in relation to securities trading and securities investment, proprietary securities trading, securities asset management and securities underwriting.

According to the provisions of the Decision of the State Council on Cancellation and Delegation of Certain Administrative Examination and Approval Items (《國務院關於取消和下放一批行政審批項目的決定》)(issued on 28 January 2014 with immediate effect), the CSRC cancelled the approval requirements for the following three matters: the borrowing of subordinated debts by securities companies, annual foreign exchange risk exposure of licensed overseas futures companies, and special investment of securities companies.

According to the provisions of the Decision of the State Council on Cancellation and Adjustment of Certain Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》)(issued on 23 October 2014 with immediate effect), the CSRC cancelled the approval requirements for the following five matters: reorganisation of securities companies and extension of the reorganisation period; administration measures of secondary offering mutual funds; business rules of secondary offerings; rules and regulations of margin financing and securities lending business of securities companies; the borrowing, issuance, payment and settlement of subordinated debts by institutions engaging in securities-related businesses.

According to the Notification No. 8 [2015] (中國證券監督管理委員會公告[2015]8號) issued by the CSRC on 10 April 2015, 155 items previously subject to filing procedures were cancelled or adjusted, which include: the directors, supervisors, senior management or employees of a securities company holding or controlling less than 5 per cent. of equity interest in the securities company pursuant to a mid-or long-term incentive scheme; the change of shareholders holding less than 5 per cent. of equity interest in the securities company; a delay in registration of establishment or acquisition of branches by the securities company, etc.

Establishment of subsidiaries, branches and securities business units

According to the provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional)(《證券公司設立子公司試行規定》)(amended on 11 October 2012 with immediate effect, subject to the approval of the CSRC, securities companies may establish wholly owned subsidiaries and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law. However, a securities company and its subsidiaries or subsidiaries under the control of the same securities company, shall not operate similar businesses having conflicts of interest or which are in competition.

Pursuant to the provisions of the Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》)(effective from 15 March 2013 and amended on 30 October 2020), branches of a securities company refer to branches and securities business units established by such securities company in the PRC for business operation. The establishment, acquisition and de-registration of branches of securities companies are subject to filing with local securities regulatory authorities. Securities companies shall meet the following requirements in order to establish or acquire branches: having a sound governance structure and effective internal management and being able to control the risks of their existing branches and the branches to be established; having risk control indicators in compliance with relevant rules for the previous year and those indicators remaining in compliance after the additional branches are established; having not received any administrative or criminal penalties for any material breach of rules or regulations for the past two years and having not had any material regulatory measures imposed on them for the previous year, and not being subject to any investigation for any branch-related activities based on any alleged material breach of rules or regulations; having a secure and stable information technology system and no material information technology incident having occurred during the previous year; and other prudent requirements stipulated by the CSRC.

Entry Requirements for Futures Companies

Establishment

According to the Administrative Regulations on Futures Trading (《期貨交易管理條例》) and the Administrative Regulations on Futures Trading and the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》)(effective from 29 October 2014, subsequently amended on 7 December 2017 and 4 June 2019), the establishment of futures companies shall be approved by the CSRC, subject to the following conditions:

- the minimum registered capital shall be RMB100 million;
- directors, supervisors and senior management shall be qualified for their positions, while practitioners shall have futures practice qualifications;
- the number of staff with futures practice qualifications shall not be less than 15, and the number of senior management staff with practice qualifications shall not be less than three;
- the articles of association of the company shall comply with the requirements of laws and administrative regulations;
- major shareholders and the de facto controller shall have sustainable profitability, good reputation, and shall not have a record of material violation of laws or regulations in the past three years;
- premises and operation facilities shall be in compliance with requirements;
- sound risk management and internal control systems; and
- other conditions as stipulated by the CSRC.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》)(effective from 1 June 2008), an entity shall not hold controlling interests and equity interests in more than two futures companies and shall not hold controlling interests in more than one futures company.

Material changes

According to the provisions of the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), approval of the CSRC shall be obtained for changes of shareholdings in any of the following situations: change of controlling shareholders or the largest shareholder; shareholding of an individual shareholder or the aggregate shareholding of associated shareholders, involving foreign shareholders, is increased to 5 per cent. or above. Save as aforesaid, an approval from the local branch office of the CSRC where the futures company is located shall be obtained if the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders in the futures company is to be increased to 5 per cent. or above.

According to the Negative List (Edition 2019), the proportion of foreign capital invested in a futures company shall be less than 51 per cent., and according to the Interim Administrative Measures, in the case of incorporation or a change in a foreign-invested enterprise subject to the Negative List (Edition 2019), the approval procedures shall be handled in accordance with the relevant laws and regulations on foreign investment. According to the Measures for Further Opening Up the Financial Sector (《關於進一步擴大金融業對外開放的有關舉措》) promulgated by the State Council's Financial Stability and Development Committee on 20 July 2019, this limit on the foreign shareholding proportion with respect to futures companies will be removed in 2020.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》)(issued on 23 October 2014 with immediate effect), the change of legal representative, domicile or place of business, or establishment or close of domestic branches, or change in the scope of business of a domestic branch by futures companies is no longer subject to administrative approval of a local branch of the CSRC.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (issued on 24 February 2015 with immediate effect), the appointment of directors, supervisors and senior management of futures companies is no longer subject to qualifications approval of a local branch of the CSRC.

Regulation of operations of Securities Companies

The Guarantor and its subsidiaries primarily engage in securities and related business, including but not limited to, securities brokerage, margin financing and securities lending, securities investment consultation, financial advisory business relating to securities trading and securities investment activities, proprietary securities trading, distribution of financial products of securities investment funds, intermediary business for futures companies, distribution of financial products, stock options market-making, securities underwriting and sponsorship, securities asset management, publicly-raised securities investment and management, private equity investment, and alternative investment.

Securities Brokerage

According to the Administrative Measures for the Securities Brokerage Business (《證券經紀業務管理辦法》) (effective from 28 February 2023), a securities companies operating in securities brokerage business shall perform the following duties according to the law:

- to carry out marketing activities in a standardised manner;
- to conduct know-your-client procedures and fulfill suitability management obligations;
- to implement the account real-name system requirements;
- to fulfill anti-money laundering obligation;
- to manage and monitor the opening and use of investors' accounts, transfer of funds, securities trading, and other acts;
- to ensure the safety and continuity of investors' transactions;
- to carry out investor education;
- to prevent illegal securities trading activities;
- to maintain the normal order of market; and
- to perform other duties as specified by the CSRC, stock exchanges, China Securities Depository and Clearing Corporation Limited, and other institutions to carry out marketing activities in a standardised manner.

Futures Brokerage

The provisions of the Administrative Regulations on Futures Trading (《期貨交易管理條例》) set out a licensing system that applies to the business of futures companies. The CSRC is responsible for the issuance of licenses according to the types of business of commodity futures and financial futures. Apart from domestic futures brokerage business, futures companies may also apply to conduct business of overseas futures brokerage, futures investment consultation and other futures business as specified by the CSRC. Futures trading shall strictly comply with the deposits system. A futures company engaged in brokerage business shall accept orders of clients and trade futures in its own name for clients, and the clients shall be solely liable for the transaction results.

Futures Intermediary Business

According to the Interim Measures on Provision of Intermediary Business to Futures Companies by Securities Companies (《證券公司為期貨公司提供中間介紹業務試行辦法》)(trial from 20 April 2007 and amended on 12 August 2022), a securities company providing intermediary business service to futures companies shall obtain relevant qualifications. Securities companies shall only engage in the provision of intermediary business service to their wholly owned or controlled futures companies, or futures companies with which they are under common control of the same entity. Securities companies and futures companies shall be independent from each other. Securities companies shall employ adequate qualified practitioners to carry out futures intermediary business. Staff participating in the futures intermediary business in securities companies shall not take part in futures trading. Securities companies shall not, directly or indirectly, raise funds or provide guarantees for futures trading clients.

Distribution of Financial Products

According to the Administrative Provisions on the Distribution of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》)(promulgated on 12 November 2012 and amended on 20 March 2020), a securities company engaging in the distribution of financial products shall obtain relevant qualifications to carry out the distribution of financial products. Its personnel engaging in the distribution of financial products shall meet the specified requirements and observe the regulations for securities practitioners. A securities company shall centralise the regulation of distribution of financial products and assess the eligibility of the client. The information given on the financial products shall be comprehensive, fair and accurate. A securities company is also required to set up a client feedback system.

Sales of Securities Investment Funds

According to the Measures for the Supervision and Administration of Publicly-Offered Securities Investment Fund Distributors (《公開募集證券投資基金銷售機構監督管理辦法》)(promulgated on 28 August 2020 and effective from 1 October 2020), a securities company intending to engage in fund distribution business shall apply for registration of its fund distribution business qualification to the local office of the CSRC at the place of its domicile and apply for the Business License for Securities or Futures Operator. A securities company shall have a department responsible for fund distribution business and the persons thereof shall be qualified to carry out such activities. It shall establish and effectively implement a sound internal control and risk management system for fund distribution business; designate special compliance risk control personnel to examine, supervise and inspect the operation of its fund distribution business; and carry out prudent investigation and risk assessment of fund managers and fund products. It shall also establish a sound system for the management of investors' fund trading accounts and capital accounts, a disaster backup system and a contingency plan in compliance with relevant requirements, a sound mechanism for internal appraisal of its fund distribution business, a sound system for control of the scope of business and a sound archive management system.

Securities Investment Consultation

According to the provisions of the Provisional Measures on Management of Investment Consultations on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》)(effective from 25 December 1997), a company which engages in securities investment consultation business shall obtain the required qualifications and a business license from the CSRC; practitioners of securities investment consultation shall obtain the relevant securities investment consultation qualifications and work under a qualified securities investment consulting institution before engagement in securities investment consultation business.

According to the Regulations on the Securities Investment Advisor Business (Provisional)(《證券投資顧問業務暫行規定》)(effective from 1 January 2011 and amended on 20 March 2020 and 30 October 2020), a securities company and its investment advisors shall provide securities investment advisory service in good faith and shall not jeopardise the interests of clients by acting in favour of the securities company and its associates, investment advisors and their related parties, or other particular clients.

The Provisions on the Release of Securities Research Reports (Provisional)(《發佈證券研究報告暫行規定》)(effective from 1 January 2011 and amended on 20 March 2020) stipulate that the publishing of securities research reports by securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and other relevant requirements, follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall also be prohibited from disseminating false, untrue and misleading information and from engaging in or participating in insider trading or securities market manipulation.

Margin Financing and Securities Lending

According to the provisions of the Management Measures on Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務管理辦法》)(effective from 26 October 2011 and amended on 1 July 2015), a securities company that applies for the qualification to engage in margin financing and securities lending business must satisfy the following conditions:

- it shall have the qualification to engage in the securities brokerage business;
- it shall have a sound system of corporate governance and effective internal controls in place to identify, control and prevent any potential operational risks and internal management risks;
- it shall have not been subject to any investigation or rectification for any breach of rules or regulations by the CSRC during the past two years;
- it shall have a sound financial position, with each of its risk control indicators in compliance with the relevant requirements for the recent two years and its registered capital and net capital are also in compliance with the requirements subsequent to the commencement of the margin financing and securities lending business;
- its clients' assets remain secured and intact with effective measures in place for clients' third-party fund depository, and clients' particulars remain true and intact;
- it shall maintain a comprehensive feedback mechanism that ensures the prompt and proper resolution of any disputes with its clients;
- it shall maintain a client eligibility evaluation system in compliance with the regulations and self-regulatory requirements to ensure that the client is qualified to invest in the relevant products;
- it shall maintain a resilient information security system, with no material incidents during the past year due to any management issues, and the systems designed for the margin financing and securities lending business shall have passed the tests of stock exchanges and securities registration and clearing institutions;
- it shall have an appropriate number of senior management and professionals who are responsible for the margin financing and securities lending business; and
- any other conditions stipulated by the CSRC.

Securities companies engaging in margin financing and securities lending shall open various accounts in their own name at securities registrars, including a special securities lending account, margin guarantee account, margin settlement account and margin capital settlement account. Such securities companies shall also open accounts at commercial banks, such as a special margin financing account and margin capital guarantee account. Securities companies shall, with reference to third-party custody of clients' transaction settlement funds, enter into a margin custody agreement with their clients and commercial banks. The capital and securities provided by securities companies to their clients are limited to those capital and securities in the special margin financing account and special securities lending account.

Before providing margin financing and securities lending service to its clients, a securities company shall collect information about its clients, including making credit investigation into its clients, knowing their identities, property status, income situations, securities investment experience, risk appetites and records of honesty and compliance. It shall also deal with client suitability management properly and keep records of such information in written or electronic form. A securities firm shall not open a credit account for anyone who meets any of the following conditions: failure to submit the required information; having less than half a year experience in securities trading; lacking the adequate risk bearing capability; less than RMB0.5 million of its average daily securities assets for the most recent 20 trading days; having records of major breaches of contracts; or being the shareholder or connected person of the securities company.

The term for margin financing and securities lending agreed between securities companies and their clients shall not exceed the time limit permitted by the relevant stock exchange. Securities companies may negotiate with their clients in respect of the rates at which the margin financing and securities lending services will be provided.

Amounts attributed to the margin financing and securities lending business by a securities firm shall not exceed four times of its net capital. A comprehensive management system, operating procedures, as well as a risk identification, evaluation and control system shall also be established.

Collateralised Stock Repurchase

According to the Measures on Collateralised Stock Repurchase and Registration and Settlement Business (《股票質押式回購交易及登記結算業務辦法》)(effective from 30 June 2017, and amended in 2018) promulgated jointly by CSDC and the Shanghai Stock Exchange and the Shenzhen Stock Exchange as amended and in effect as at 12 March 2018, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in collateralised stock repurchase. Securities companies shall establish client qualification examination systems and perform due diligence with respect to their clients. Examination contents shall include identity, financial status, business status, credit status, guarantee status, usage of funds, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks, and shall require the clients to sign the risk disclosure statement.

Securities Repurchase

According to the Measures on Securities Repurchase and Registration and Settlement Business (《約定購回式證券交易及登記結算業務辦法》) promulgated jointly by CSDC and each of the Shanghai Stock Exchange and the Shenzhen Stock Exchange on 10 December 2012, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in securities repurchase. Securities companies shall establish a client qualification examination system. Examination contents shall include credit status, asset scale, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks.

Secondary Offering Business

Pursuant to the provisions of the Trial Measures on Supervision and Administration of the Secondary Offering Business (《轉融通業務監督管理試行辦法》)(implemented on 26 October 2011 and amended on 7 December 2017 and 30 October 2020), a secondary offering business refers to a business in which a securities finance company lends its funds or securities owned by itself or legally raised and its securities to a securities company for conducting margin financing and securities lending activities. To conduct a secondary offering business, a securities finance company shall, in its own name, open a securities account, a guaranteed securities account and a securities settlement account specific for a secondary offering business with the securities registration and settlement authority. A securities finance company shall also set up a client credit assessment mechanism to evaluate the credit of securities companies and determine and adjust the credit line based on the evaluation. Furthermore, a securities finance company shall charge deposits at a certain rate from securities companies for the secondary offering business.

Proprietary Securities Trading

Provisions of the Regulations on Supervision and Management of Securities Companies and the Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》)(effective from 23 November 2005) and the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》)(effective from 29 July 2014) stipulate that securities companies engaged in proprietary securities trading shall be limited to the trading of publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authorities of the State Council. A securities company engaged in a proprietary securities trading business shall be registered under the name of the proprietary securities account holder. Risk control indicators, such as the proportion of the total value of proprietary securities to the net capital of the securities company, the proportion of the value of a single security to the net capital of the securities company, and the proportion of the amount of a single security to the total amount of issued securities, shall each comply with the regulations of the CSRC.

According to the List of Securities Investment Products for the Proprietary Business of Securities Companies (《證券公司證券自營投資品種清單》), which is the Appendix to Regulations on Investment Scopes of Proprietary Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》)(effective from 1 June 2011 and amended on 16 November 2012 and 20 March 2020), securities companies engaged in proprietary securities trading business are permitted to invest in the following securities:

- securities that have been or may be legally listed, traded and transferred on a domestic stock exchange;
- securities that have been listed and transferred on the NEEQ;
- private placement notes that have been or may be legally listed and transferred on qualified regional equity trading markets, and stocks that have been listed and transferred on qualified regional equity trading markets;
- securities that have been or may be legally traded on the domestic interbank market; and
- securities issued with the approval of the national financial regulatory authority or its authorised bodies or after filing with the national financial regulatory authority or its authorised bodies and traded over the counter at domestic financial institutions.

Securities Asset Management

According to the Administrative Measures on Private Offering Asset Management Business of Securities and Futures Business Organisations (《證券期貨經營機構私募資產管理業務管理辦法》), which be implemented with effect from 22 October 2018 and amended on 1 March 2023, and the Circular on Strengthening Supervision on Asset Management Business of Securities Companies (《關於加強證券公司資產管理業務監管的通知》) (effective from 14 March 2013), securities and futures business organisation engaging in private offering asset management business shall be subject to approval by the CSRC pursuant to the law, unless otherwise stipulated by laws, administrative regulations and the CSRC. Securities companies may set up a single asset management plan for a single investor, or set up a collective asset management plan for multiple investors. The number of investors of a collective asset management plan shall not be less than two, and shall not exceed 200.

The Administrative Regulations on Asset-backed Securitisation of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) (promulgated on 19 November 2014 with immediate effect) allows securities companies and subsidiaries of fund management companies which are qualified for client asset management to conduct the asset-backed securitisation business.

Pursuant to the Interim Provisions on Operation and Management of Private Asset Management Business of Securities and Futures Operation Institutions (《證券期貨經營機構私募資產管理業務運作管理暫行規定》) (promulgated on 14 July 2016 with effect from 18 July 2016), securities companies (i) shall neither sell asset management plans in breach of rules, nor engage in such acts as inappropriate publicity, misleading or deceiving investors, or in any means guaranteeing to the investors that their principal will not suffer any loss or promising a minimum return, (ii) shall establish a structured asset management plan and shall not violate the principle of "sharing of interests and risks and matching risks with returns", (iii) shall not entrust any individual or unqualified third party with the provisions of investment advice, and managers shall not be exempted from legal liability on the grounds of such entrustment, and (iv) shall not engage in or participate in private asset management business with a "cash-pooling feature".

Management of Publicly Offered Securities Investment Funds

Pursuant to the Measures for the Supervision and Regulation of Managers of Publicly Offered Securities Investment Funds (《公開募集證券投資基金管理人監督管理辦法》(effective from 20 June 2022), managers of publicly offered funds shall be fund management companies or other asset management institutions that have obtained the qualifications for publicly offered fund management business with the approval of the CSRC. Any securities company applies for the qualifications for publicly offered fund management business shall meet the following conditions:

- it has established a standard corporate governance system, a sound internal control mechanism, and good risk control; it has good management capability, asset quality, and financial status, has had a sound business status in the most recent three years, and has sustainable profitability; and it has moderate assets and liabilities and leverage level, as well as capital strength which matches publicly offered fund management business;

- it has good records of integrity and compliance and no records of material violations of laws or regulations or of gravely dishonest conduct in the most recent three years; it has not been subject to a criminal penalty for an intentional crime and not less than three years have elapsed since the execution of the criminal penalty was completed; it is not being investigated for suspected major violations of laws or regulations or in the process of rectification; and the main regulatory indicators in the latest 12 months meet the regulatory requirements;

- it has at least three years' experience in securities asset management, and the securities products under its management are operated in a standard and stable manner with good performance, and no material violations or risk events occur;

- it has a qualified internal management system, business premises, security facilities, system equipment, and other business-related facilities that meet the requirements;

- it has directors, supervisors, and senior officers in compliance with laws, administrative regulations, and the provisions of the CSRC and personnel who perform such job duties as research, investment, operation, sales, and compliance related to publicly offered fund management business, and at least 30 of them have obtained the relevant fund practicing qualifications; and it has set up organisations and posts with reasonable division of work and clear functions;

- it has developed a definite and effective internal control mechanism to ensure the independence of publicly offered fund management business and guard against risk transmission and illegitimate tunneling and propping; and

- any other condition as prescribed by the CSRC.

The Administrative Measures on Operations of Publicly Offered Securities Investment Funds (《公開募集證券投資基金運作管理辦法》) which came into effect on 8 August 2014 has set out provisions on public fund offering, the subscription, redemption and trading of fund units, the investment of fund assets, the distribution of fund earnings, the convening of meetings of unitholders, and other fund operational activities.

The Administrative Measures on Information Disclosure for Publicly Offered Securities Investment Funds (《公開募集證券投資基金信息披露管理辦法》)(which came into effect on 1 September 2019, and amended on 20 March 2020) regulates the category of the information that the fund information disclosure obligors of a publicly offered fund should disclose, and the format, media, methods and timeliness requirements thereto.

Private Equity Fund Business

Pursuant to the Provisions of Management Practices for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》)(as promulgated on 30 December 2016 with immediate effect) issued by the SAC, securities companies which engage in private equity fund business shall establish a private equity fund subsidiary in accordance with the requirements of the relevant regulatory authorities. If a private equity fund subsidiary needs special purpose vehicles ("**SPVs**") for purposes such as fund management, it shall hold 35 per cent. or more equity interests or capital investment in, and have management control in, such SPV; a fund management SPV established under the private equity fund subsidiary shall only manage the private equity funds for which the fund management SPV was established. Business of each affiliated SPV shall be explicit and non-repetitive.

The private equity fund subsidiary and the fund management SPVs under it shall invest their own funds in the private equity fund established by the fund management SPV. The amount of investment in respect of each of the funds shall not exceed 20 per cent. of the total amount of such fund.

Alternative Investment

According to the Regulations on Investment Scopes of Securities Investment and Trading Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》) and the Management Criteria for Alternate Investment Subsidiaries of a Securities Firm (《證券公司另類投資子公司管理規範》)(promulgated on 30 December 2016 with immediate effect) securities companies may establish alternative investment subsidiaries to engage in investment on financial products which are excluded on the List of Securities Investment Products for the Securities Investment and Trading of Securities Companies (《證券公司證券自營投資品種清單》). Alternative subsidiaries shall not engage in businesses other than investment businesses; securities companies shall explicitly separate the business scopes of alternative subsidiaries and other subsidiaries to avoid conflicts of interests and transfer of benefits; alternative subsidiaries shall not be financed, shall not provide guarantees and loans, and shall not act as a contributory which bears joint liability of an investee enterprise.

Securities Underwriting and Sponsorship

According to the regulations of the Administrative Measures for the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》)(effective from 12 June 2020 and amended on 17 February 2023), securities companies shall apply for the sponsoring institution qualification from the CSRC to sponsor the offering and listing business of securities. In order to fulfil sponsorship responsibilities, sponsoring institutions shall designate an individual, who has obtained sponsor representative qualification, to be responsible for sponsorship duties. Issuers shall employ securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for the following matters: initial public offerings and listings, issuance of new shares or convertible corporate notes by listing companies, and other conditions identified by the CSRC.

Any securities firm applying for sponsoring institution qualification shall meet the following requirements:

- its registered capital shall be no less than RMB100 million and its net capital shall be no less than RMB50 million;

- it shall have comprehensive systems of corporate governance and internal control and indicators of risk control in line with relevant regulations;

- its sponsor business shall have sound mechanisms of business procedures, internal risk assessment and control, as well as a reasonable internal structure, proper research and sales capabilities, and other background support;

- it shall have a strong sponsor business team, with reasonable professional structure, and the number of professionals shall not be less than 35, among which, the number of personnel who have engaged in sponsor-related businesses during the past three years shall not be less than 20;

- the number of its professionals who have qualified as sponsor representatives shall not be less than four;

- it has not been subject to any administrative penalties for any material breach of laws and regulations during the past three years; and

- it shall meet other requirements of the CSRC.

In addition, the Views of the CSRC on Further Promoting IPO Reform (《中國證監會關於進一步推進新股發行體制改革的意見》)(promulgated on 30 November 2013 with immediate effect) further stipulated that sponsor institutions and securities service institutions shall undertake in public offering and listing documents that if false, or misleading statements are made, or a material omission occurs in the documents issued, prepared and produced by issuers for initial public offerings which result in losses to investors, then sponsor institutions and securities service organisations must compensate the losses of investors in accordance with the law.

According to the Administrative Measures for the Issuance and Trading of Corporate Notes (《公司債券發行與交易管理辦法》)(effective from 15 January 2015 and amended on 20 October 2023), the issuance of corporate notes shall be underwritten by securities companies with qualification to engage in securities underwriting business. When underwriting corporate notes, underwriters shall be in compliance with the Administrative Measures for the Issuance and Trading of Corporate Notes and applicable regulations on due diligence, risk control and internal control issued by the CSRC and the SAC, to formulate a strict risk management system, and to internal control system and enhance pricing and placing management.

Lead Brokerage in the National Equities Exchanges and Quotations

According to the Administrative Measures on National Equities Exchange and Quotations Company Limited (Provisional)(《全國中小企業股份轉讓系統有限責任公司管理暫行辦法》)(effective from 31 January 2013 and amended on 7 December 2017), securities companies may act as lead broker in the NEEQ. The lead brokerage business includes recommending the listing of shares of joint stock companies, continuously supervising listed companies, trading shares of joint stock companies on behalf of investors, providing market-making service for the transfer of shares, and other businesses as specified by the National Equities Exchange and Quotations Company Limited.

Under the supervision of the National Equities Exchange and Quotations Company Limited, lead brokers, law firms, accounting firms and other institutions and personnel providing services in relation to the transfer of shares shall act in good faith and diligently perform their legal duties in strict compliance with laws, regulations and industry standards, and shall also be responsible for the truthfulness, accuracy and completeness of documents they issue.

Over-the-Counter Market Business

As the provisions of the Administrative Measures of Securities Companies on Over-the-Counter Market (for Trial Implementation)(《證券公司櫃檯市場管理辦法(試行)》)(effective from 15 August 2014) stipulate, securities companies shall engage in over-the-counter business in accordance with the provisions and be subject to the governance of the SAC. Apart from private equity products which are subject to prior approval and filing as explicitly required by financial regulatory authorities, private equity products issued, sold and transferred by securities companies in over-the-counter markets are subject to filing after the issuance, selling and transfer. Products issued, sold and transferred by securities companies in over-the-counter markets include but are not limited to: products such as asset management plans and corporate debt financing instruments established or underwritten by securities companies or their subsidiaries by way of private placing; products established by other institutions such as banks, insurance companies and trust companies and issued, sold and transferred by securities companies; and financial derivatives and other products as allowed by the CSRC and the SAC.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's consolidated financial statements for the years ended 31 December 2021 and 2022 included in this Offering Circular were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Guarantor is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future. As a result, no assurance is provided that the following summary is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

GOVERNMENT GRANT

Prior to 1 January 2017, under PRC GAAP, an assets-related government grant was only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. From 1 January 2017, the treatment of an assets-related government grant under the PRC GAAP has changed and is the same as that under IFRS.

Under PRC GAAP, the relocation compensation for public interest is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation are transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

Under IFRS, if an entity relocates for reasons of public interest, the compensation received shall be recognised in profit or loss.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including investment property valued under the cost model, long-term equity investments, fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill may be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with China Industrial Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, CNCB (Hong Kong) Capital Limited, Luso International Banking Limited, Standard Chartered Bank, Chiyu Banking Corporation Limited, CMB International Capital Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, CMBC Securities Company Limited, CMB Wing Lung Bank Limited, Bank of China Limited, Singapore Branch, ABCI Capital Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BOCOM International Securities Limited, CCB International Capital Limited, CEB International Capital Corporation Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, China Galaxy International Securities (Hong Kong) Co., Limited, China International Capital Corporation Hong Kong Securities Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CLSA Limited, Emirates NBD Bank PJSC, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Hua Xia Bank Co., Limited Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Singapore Branch, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited and Zhongtai International Securities Limited (the "**Joint Lead Managers**") dated 26 January 2024 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor has agreed to guarantee and the Joint Lead Managers have severally and not jointly agreed with the Issuer and the Guarantor to subscribe for the principal amount of the Bonds as set forth opposite their names in the following table.

Joint Lead Managers	**Principal amount of the Bonds**
	(U.S.$)
China Industrial Securities International Brokerage Limited	40,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	15,000,000
CNCB (Hong Kong) Capital Limited	15,000,000
Luso International Banking Limited	15,000,000
Standard Chartered Bank	15,000,000
Chiyu Banking Corporation Limited	15,000,000
CMB International Capital Limited	15,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	15,000,000
CMBC Securities Company Limited	15,000,000
CMB Wing Lung Bank Limited	15,000,000
Bank of China Limited, Singapore Branch	15,000,000
ABCI Capital Limited	5,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	5,000,000
BOCOM International Securities Limited	5,000,000
CCB International Capital Limited	5,000,000
CEB International Capital Corporation Limited	5,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	5,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	5,000,000
China International Capital Corporation Hong Kong Securities Limited	5,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	5,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	5,000,000
CLSA Limited	5,000,000
Emirates NBD Bank PJSC	5,000,000
Guotai Junan Securities (Hong Kong) Limited	5,000,000
Haitong International Securities Company Limited	5,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	5,000,000
ICBC International Securities Limited	5,000,000
Industrial and Commercial Bank of China (Asia) Limited	5,000,000
Industrial and Commercial Bank of China Limited, Singapore Branch	5,000,000
Shenwan Hongyuan Securities (H.K.) Limited	5,000,000
SMBC Nikko Securities (Hong Kong) Limited	5,000,000
SPDB International Capital Limited	5,000,000
Zhongtai International Securities Limited	5,000,000
Total	**300,000,000**

The Joint Lead Managers are offering the Bonds in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, *inter alia*, the receipt by the Joint Lead Managers of documentation related to the issuance and sale of the Bonds and legal opinions. The Subscription Agreement provides that the Issuer and the Guarantor will indemnify the Joint Lead Manager against certain liabilities in connection with the subscription and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to the proceeds of the offering have been received and the Bonds being issued.

The Issuer, and as the case may be, the Guarantor will pay the Joint Lead Managers' customary fees and commissions in connection with the offering and will reimburse the Joint Lead Managers for certain fees and expenses incurred in connection with the offering.

New Issue of the Bonds

The Bonds are a new issuance of securities with no established trading market. However, no assurance can be given as to the liquidity of any trading market for the Bonds. A liquid or active public trading market for the Bonds may not develop. If an active trading market for the Bonds does not develop, the market price and liquidity of the Bonds may be adversely affected. If the Bonds are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the performance of the Issuer and the Guarantor and other factors.

Price Stabilisation and Short Positions

In connection with the offering, any Joint Lead Manager or any person acting on its behalf may, to the extent permitted by applicable laws and directives, engage in transactions that stabilise or otherwise affect the market price of the Bonds. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Bonds. If any Joint Lead Manager or its agent create a short position in the Bonds in connection with the offering (i.e. if any Joint Lead Manager or its agent sells more Bonds than are set forth on the cover page of this Offering Circular), that Joint Lead Manager or its agent may reduce that short position by purchasing Bonds in the open market. In general, purchases of a Bond for the purpose of stabilisation or to reduce a short position could cause the price of the Bonds to be higher than it might be in the absence of such purchases. Stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may cease at any time and must be brought to an end after a limited period.

Neither, the Guarantor the Issuer nor the Joint Lead Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Guarantor nor the Joint Lead Managers make any representation that any Joint Lead Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

Each of the Joint Lead Managers or its affiliates may purchase the Bonds for its or their own account and enter into transactions, including, without limitation, credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds or the securities of the Issuer, the Guarantor and their respective subsidiaries or associates at the same time as the offer and sale of the Bonds 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 Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchaser of the Bonds). Each Joint Lead Manager and/or its affiliate(s) may purchase Bonds and be allocated Bonds for asset management and/or proprietary purposes, acting as investor for their own accounts and not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates from time to time. They have received, and may in the future receive, customary fees and commissions for these transactions. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Guarantor or their respective subsidiaries, jointly controlled entities or associates in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Guarantor as beneficial owners, on behalf of clients or in the capacity of investment advisors.

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 this offering and are subject to additional requirements under the SFC Code. 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 Bonds. 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 Joint Lead Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this 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 set out elsewhere in this Offering Circular.

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 Bonds (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 Bonds.

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 Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, 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 Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcm@xyzq.com.hk, dcm@cncbinvestment.com, dcm@lusobank.com.mo, SYNHK@sc.com, projectjasmineiii@cmbi.com.hk, spdbhk.dcm@spdb.com.cn, dcm@cmbccap.com, bondissuance@cmbwinglungbank.com, abcic.dcm@abci.com.hk, dcm@bankcomm.com.hk, dcm@ccbintl.com, DCM@chinastock.com.hk, hkdcm@cmbc.com.cn, dcm_hk@czbank.com, ib.dcm.fig@clsa.com, dcmsf@emiratesnbd.com, dcm.ig@gtjas.com.hk, dcm@htisec.com, dcm@hxb.com.cn, project_jasmine3@icbci.icbc.com.cn, shuhong.ye@sg.icbc.com.cn, dcm@swhyhk.com and dcmnea@smbcnikko-hk.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

General

None of the Issuer, the Guarantor nor the Joint Lead Managers make any representation that any action has been or will be taken in any jurisdiction by such Joint Lead Manager, the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of the Preliminary Offering Circular or the Final Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Joint Lead Managers will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes the Preliminary Offering Circular or the Final Offering Circular (in proof or final form) or any such other material, in all cases at its own expense. The Issuer, the Guarantor and the Joint Lead Managers will have no responsibility for, and the Joint Lead Managers will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery of the Bonds. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, the Preliminary Offering Circular or the Final Offering Circular (in final form) or any amendment or supplement thereto.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act or any state securities law and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. Each Joint Lead Manager represents that it has not offered or sold, and agrees that it will not offer, sell or deliver, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" (as defined in Regulation S under the Securities Act) with respect to the Bonds or the Guarantee. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Prohibition of Sales to EEA Retail Investors

In relation to each Member State of the European Economic Area, each Joint Lead Manager has represented and agreed that it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) 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 Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer, the Guarantor or any of the Joint Lead Managers 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 Bonds to the public**" in relation to any Bonds 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in the United Kingdom other than:

(a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Joint Lead Manager or Joint Lead Managers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Bonds referred to in (a) to (c) above shall require the Issuer or any Joint Lead Manager 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 Bonds to the public**" in relation to any Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds; and

- the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Joint Lead Manager has represented, warranted and agreed:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (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 the Bonds, 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 the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds 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 Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds 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 "**FIEA**") and each Joint Lead Manager has represented and agreed that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Cayman Islands

Each Joint Lead Manager has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Bonds.

The PRC

Each Joint Lead Manager has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Bonds, directly or indirectly, in the PRC as part of the initial distribution of the Bonds except as permitted by the securities laws of the PRC.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds will be lodged and cleared through the Euroclear and Clearstream with Common Code of 274242221 and ISIN of XS2742422210. The Legal Entity Identifier Code of the Issuer is 549300TA9JLZ5CGW8A68.

2. **Listing of the Bonds**: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 5 February 2024.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the execution, issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 25 January 2024. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 15 December 2023 from NDRC. Save for the registration of the Guarantee with SAFE and the post-issuance filing with the NDRC, the Guarantor has obtained all necessary consents, approvals, registrations and authorisations in connection with the giving and performance of the Guarantee and the entry into the Subscription Agreement, the Deed of Guarantee, the Trust Deed and the Agency Agreement. The execution of the Subscription Agreement, the Deed of Guarantee, the Trust Deed, the Agency Agreement, and the giving of the Guarantee was authorised by the shareholders' resolution of the Guarantor on 29 June 2023 and the resolution of the Board of Directors of the Guarantor on 25 August 2023.

4. **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Guarantor, the Issuer Group and the Group since 31 December 2022.

5. **Litigation**: Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds, nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

6. **Available Documents**: So long as any of the Bonds is outstanding, copies of the following documents (1) to (3) will be (i) available to Bondholders upon prior written notice and upon satisfaction of proof of holding from the Issue Date during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) from the specified office of the Principal Paying Agent (currently at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) or (ii) available to Bondholders via email from the Trustee following satisfactory proof of holding; copies of the following documents (4) to (7) will be available for inspection upon prior written notice from the Issue Date at 32/F, Infinitus Plaza 199 Des Voeux Road, Central, Hong Kong:

    (1) the Trust Deed;

    (2) the Agency Agreement;

    (3) the Deed of Guarantee;

    (4) copies of the Financial Statements Translation;

    (5) copies of the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2021 and 2022;

    (6) the Articles of Association of the Guarantor; and

(7) the Memorandum and Articles of Association of the Issuer.

7. **Independent Auditors**: The Guarantor's consolidated financial statements for the years ended 31 December 2021 and 2022, which are included elsewhere in this Offering Circular, have been audited by KPMG Huazhen, the independent auditors of the Guarantor, as stated in its reports appearing herein. The Guarantor's audited consolidated financial statements for the years ended 31 December 2021 and 2022 are in the Chinese language and have been translated into English for the purposes of inclusion in this Offering Circular for reference purposes only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited or reviewed financial statements, and is qualified in its entirety by, and is subject to, the financial information set out or referred to in, the Chinese Financial Statements. The Chinese Financial Statements are available at the following website: http://www.sse.com.cn. Nothing else in the Shanghai Stock Exchange's website, other than the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 (together with the auditor's reports and the notes thereto), is incorporated by reference into, or made a part of, this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained therein is accurate, truthful or complete.

The Issuer's consolidated financial statements for the years ended 31 December 2021 and 2022, which are included elsewhere in this Offering Circular, have been audited by KPMG, the independent auditors of the Issuer, as stated in its report appearing herein.

INDEX TO FINANCIAL STATEMENTS

Notes:

(1) The English translation of the audited consolidated financial statements of the Guarantor set out herein have been translated based on the Guarantor's annual reports as at and for the years ended 31 December 2021 and 2022 which are prepared in Chinese. The Guarantor's Chinese auditors' reports, financial statements notes to financial statements shall prevail if there is a conflict or inconsistency between information contained in the English translation and the Chinese version. Page references used in this Offering Circular are different from pages references set forth in such financial statements.

(2) The audited consolidated financial statements set out herein have been reproduced from the Issuer's annual report for the year ended 31 December 2022 and page references are references to pages set forth in such report.

(3) The audited consolidated financial statements set out herein have been reproduced from the Issuer's annual report for the year ended 31 December 2021 and page references are references to pages set forth in such report.

Industrial Securities Co., Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2022 TO 31 DECEMBER 2022
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

Auditor’s Report

KPMG Huazhen Shenzi NO.2301666

To the shareholders of Industrial Securities Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Securities Co., Ltd. (“Industrial Securities”), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2022, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders’ equity and company statement of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2022, and the consolidated and company financial performance and cash flows of Industrial Securities for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Industrial Securities in accordance with the China Code of Ethics for Certified Public Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Assessment of the fair value of financial instruments</th></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 18 and XIV. Fair value of financial assets and liabilities.</td></tr>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The valuation of Industrial Securities Co., Ltd. and its subsidiaries' ("Industrial Securities") financial instruments measured at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs.

Most of the inputs are obtained from readily available data. Where such observable data is not readily available, as in the case of certain level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

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.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• Understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation, independent price verification and valuation model approval for financial instruments;

• Selecting the financial instruments and assessing the fair values of level 1 fair value measurement financial instruments by comparing the fair values applied by Industrial Securities with publicly available market data;

• For the financial instruments measured at the fair value at level 2 and level 3, selecting the financial instruments and reviewing the investment agreements entered into during the year to understand the relevant investment terms and identify conditions that were relevant to the valuation of financial instruments;</td></tr>
</table>

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Assessment of the fair value of financial instruments (continued)</th></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 18 and XIV. Fair value of financial assets and liabilities.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>• Evaluating the appropriateness of the valuation methods used by Industrial Securities for financial instruments measured at fair value at the level 2 and level 3 with the assistance of KPMG valuation experts. Meanwhile, selecting financial instruments measured at fair value at the level 2 and level 3, we compared Industrial Securities' valuation models with our knowledge of current industrial practice, tested the inputs for the fair value measurements, performed the parallel analysis and measurements, and compared our valuation results with those of Industrial Securities; and

• Evaluating the reasonableness of disclosures relating to the fair value of financial instruments based on relevant accounting standards.</td></tr>
</table>

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Consolidation of structured entities</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 5 and VII. Interests in other entities.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. Industrial Securities may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring the investment funds, wealth management products, the asset management schemes, the trust schemes or the asset-backed securities.

In determining whether a structured entity is required to be consolidated by Industrial Securities, management is required to consider the rights that Industrial Securities is able to exercise over the activities of the entity, the entitlement to variable returns and its ability to influence its own returns from the entity. In certain circumstances Industrial Securities may be required to consolidate a structured entity even though it has no equity interest therein.

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.</td><td>Our audit procedures to assess the consolidation of structured entities included the following:

• Enquiring the management and inspecting files related to process of the management’s judgement of whether consolidation is required for the structured entities to evaluate the appropriateness of procedures set up in this regard;
• Selecting items for structured entities on each key product type and performing the following procedures for each item selected:

- Inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement Industrial Securities has with the structured entity and to assess management’s judgement over whether Industrial Securities has the ability to exercise power over the structured entity;
- 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 and to variable returns from Industrial Securities’ involvement in such an entity;</td></tr>
</table>

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

Consolidation of structured entities (continued)	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 5 and *VII. Interests in other entities*.	
Key audit matters	**How the matter was addressed in our audit**
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 Industrial Securities or not and because the impact of consolidating structured entities on the financial statements could be significant.	- Evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with Industrial Securities' economic interests in the structured entity to assess management's judgement over Industrial Securities' ability to influence its variable returns from the structured entity; - Evaluating management's judgement over whether the structured entity should be consolidated or not. • Evaluating the reasonableness of disclosures relating to the consolidation of structured entities based on relevant accounting standards.

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

Loss allowances of margin accounts and financial assets held under resale agreements	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 9、19 and 29.	
Key audit matters	**How the matter was addressed in our audit**
Determining impairment provision for margin accounts and financial assets held under resale agreements with the ECL model involves application of certain key parameters and assumptions, including stage classification of credit impairment and estimation of probability of default, loss given default, exposure at default and other parameters, as well as consideration of forward-looking adjustment and other adjustment factors, so a considerable level of management judgement is required in the selection and assumption of these parameters.	Our audit procedures to assess loss allowances of margin accounts and financial assets held under resale agreements included the following: • Understanding and assessing the design and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of margin accounts and financial assets held under resale agreements and the measurement of loss allowances; • Assessing the reliability of the ECL model and parameters used in impairment provision by management, including stage classification scheme, probability of default, loss given default, exposure at default, forward-looking adjustment and management's adjustment, and assessing the reasonableness of key management judgements involved.

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Loss allowances of margin accounts and financial assets held under resale agreements (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 9、19 and 29.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and Industrial Securities’ internal credit risk management strategy. In assessing the above key parameters and assumptions, Industrial Securities considers historical loss experience, internal credit rating, external credit rating and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These factors include the recoverable amount, the financial conditions of borrowers, the recoverable amount of the collateral, the claim compensational priority, the existence of other creditors and their degree of cooperation. Where the securities of listed companies are involved as the collateral, the liquidity, concentration and the performance guarantee of the guaranteed securities will also be taken into account in the judgement.

We identified loss allowances of margin accounts and financial assets held under resale agreements as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of Industrial Securities.</td><td>• 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 margin accounts and financial assets held under resale agreements list used by management to assess the allowances for impairment with the general ledger to evaluate the completeness of the list, selecting 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;
• For key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to Industrial Securities’ 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;</td></tr>
</table>

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2301666

Key Audit Matters (continued)

Loss allowances of margin accounts and financial assets held under resale agreements (continued)	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 9、19 and 29.	
Key audit matters	**How the matter was addressed in our audit**
	• 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 specific items. On the basis of the selected items, we checked the overdue information of relevant assets, understood the credit conditions of borrowers, and the performance guarantee. • We selected credit-impaired financial assets to evaluate the reasonableness of the loss given default. We also evaluated the forecast cash flows of the collaterals and other credit enhancements, and challenged the viability of financial assets' recovery plan. • Based on the above work, we selected financial assets and used the expected credit loss model to re-examine the calculation accuracy of the impairment allowances of margin accounts and financial assets held under resale agreements. • Evaluating the reasonableness of disclosures relating to the loss allowances of margin accounts and financial assets held under resale agreements based on relevant accounting standards.

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2301666

Other Information

The management of Industrial Securities is responsible for the other information. The other information comprises all the information included in 2022 Annual Report of Industrial Securities, other than the financial statements and our auditor’s report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Industrial Securities’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Industrial Securities or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Industrial Securities’ financial reporting process.

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2301666

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

(1) Identify and assess the risks of material misstatement of the 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management’s use of the going concern basis of accounting and, 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 Industrial Securities’ 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 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 Industrial Securities to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Industrial Securities to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of Industrial Securities’ audit, and assume full responsibility for the audit opinion.

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2301666

Auditor’s Responsibilities for the Audit of the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants Registered in the People’s Republic of China

Huang Xiaoyi (Engagement Partner)

Beijing, China

Cai Xiaoxiao

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2022
(Expressed in Renminbi Yuan)

	Note VI	The Group 31 December 2022	The Group 31 December 2021	The Company 31 December 2022	The Company 31 December 2021
Assets					
Cash at bank and on hand	1	80,351,781,485.50	66,854,433,851.14	45,858,528,169.96	38,648,886,067.46
Including: customer deposits		62,176,478,761.53	51,191,896,726.28	35,518,795,826.87	31,774,866,538.43
Balances with clearing companies	2	9,097,145,630.08	6,612,407,979.83	10,489,946,890.66	6,975,364,900.17
Including: customer deposits		5,331,172,981.34	3,641,705,077.19	7,101,204,579.04	4,375,457,976.33
Margin accounts	3	28,647,296,679.84	34,458,474,418.54	28,109,465,498.18	33,788,655,714.06
Derivative financial assets	4	1,527,429,336.76	268,756,832.59	1,219,246,573.46	264,294,725.90
Refundable deposits	5	10,287,337,866.54	9,181,176,019.72	4,222,736,380.96	2,524,629,963.27
Accounts receivable	6	1,719,531,294.98	1,691,381,835.04	633,995,066.79	487,849,236.92
Financial assets held under resale agreements	7	10,008,368,010.57	6,671,664,926.94	9,149,232,516.40	6,154,936,788.82
Financial investments:					
Financial assets held for trading	8	62,627,148,846.67	60,101,961,570.20	48,646,342,435.82	44,399,738,874.74
Debt investments	9	2,213,669,284.85	-	2,021,657,366.77	-
Other debt investments	10	28,430,937,028.70	22,132,859,754.95	28,038,969,274.00	22,132,859,754.95
Investments in other equity instruments	11	1,550,617,647.11	-	-	-
Long-term equity investments	13	4,865,350,295.22	4,728,881,309.84	11,801,602,438.90	11,066,709,279.43
Investment properties	14	9,765,328.51	10,325,476.27	7,944,964.35	8,410,659.63
Fixed assets	15	861,466,319.26	799,668,579.90	795,640,763.64	742,447,349.63
Construction in progress		-	4,260,032.65	-	4,260,032.65
Right-of-use assets	57	697,250,999.26	851,784,126.52	573,082,671.37	664,955,730.89
Intangible assets	16	432,775,819.87	362,434,047.53	382,490,645.24	325,452,207.83
Goodwill	17	12,264,149.78	12,264,149.78	-	-
Deferred tax assets	18	988,222,548.49	1,149,739,934.53	229,146,020.44	469,754,146.92
Other assets	19	1,530,939,148.47	1,570,866,124.99	2,394,424,564.00	1,578,507,895.96
Total assets		245,859,297,720.46	217,463,340,970.96	194,574,452,240.94	170,237,713,329.23

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		The Group		The Company	
	Note VI	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Liabilities and shareholders' equity					
Liabilities:					
Short-term loans	21	894,080,331.23	433,448,118.55	-	-
Short-term financing payables	22	4,741,200,868.63	7,970,752,053.37	4,741,200,868.63	7,970,752,053.37
Placements from banks and other financial institutions	23	2,964,717,544.48	1,500,411,111.12	2,964,717,544.48	1,500,411,111.12
Financial liabilities held for trading	24	2,694,683,831.87	1,987,544,553.91	546,561,481.05	-
Derivative financial liabilities	4	513,835,867.92	474,744,342.04	476,549,578.35	419,810,677.68
Financial assets sold under repurchase agreements	25	30,106,890,871.79	30,245,317,379.95	28,357,396,903.73	28,634,547,492.03
Accounts payable to brokerage and margin clients	26	71,570,316,834.45	60,512,270,942.02	42,082,764,748.86	35,758,451,720.89
Accounts payable to securities underwriting clients	27	-	100,000,000.00	-	100,000,000.00
Employee benefits payable	28	5,274,555,752.11	6,603,204,876.66	2,598,136,124.83	3,755,424,431.13
Taxes payable	29	556,789,707.23	2,062,192,802.67	185,106,499.60	1,119,043,709.03
Accounts payable	30	15,594,137,059.50	5,764,636,707.72	14,356,664,400.31	4,321,588,482.26
Contract liabilities	31	83,717,696.65	71,524,080.39	78,883,199.78	66,595,501.05
Debentures payable	32	52,355,769,417.18	52,881,795,085.13	50,497,774,661.90	49,079,667,672.24
Lease liabilities	57	700,279,252.15	847,005,170.25	572,947,192.27	656,008,194.46
Deferred tax liabilities	18	165,436,771.31	222,697,703.06	-	-
Other liabilities	33	805,419,326.15	430,320,527.21	211,937,024.65	259,341,925.65
Total liabilities		189,021,831,132.65	172,107,865,454.05	147,670,640,228.44	133,641,642,970.91

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		The Group		*The Company*	
	Note VI	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*
Liabilities and shareholders' equity (continued)					
Shareholders' equity:					
Share capital	34	8,635,987,294.00	6,696,671,674.00	8,635,987,294.00	6,696,671,674.00
Capital reserve	35	22,472,127,077.90	14,376,951,849.01	22,321,532,509.61	14,234,115,813.82
Other comprehensive income	36	227,498,506.20	269,294,297.19	120,182,759.85	298,169,158.67
Surplus reserve	37	2,509,896,910.27	2,308,549,565.26	2,509,896,910.27	2,308,549,565.26
General risk reserve	38	6,665,191,467.79	5,990,435,130.55	4,801,027,931.14	4,398,333,241.12
Retained earnings	39	11,754,033,907.47	11,547,539,511.44	8,515,184,607.63	8,660,230,905.45
Total equity attributable to shareholders of the Company		52,264,735,163.63	41,189,442,027.45	46,903,812,012.50	36,596,070,358.32
Non-controlling interests		4,572,731,424.18	4,166,033,489.46	-	-
Total shareholders' equity		56,837,466,587.81	45,355,475,516.91	46,903,812,012.50	36,596,070,358.32
Total liabilities and shareholders' equity		245,859,297,720.46	217,463,340,970.96	194,574,452,240.94	170,237,713,329.23

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note VI	The Group 2022	The Group 2021	The Company 2022	The Company 2021
I. Operation income		10,659,638,031.35	18,972,168,754.91	6,310,087,494.75	8,976,906,543.06
Net fee and commission income	40	7,136,889,582.12	10,105,796,967.09	3,750,147,324.04	4,765,736,320.73
Including:					
Net income from brokerage business		2,756,491,511.74	3,560,745,389.30	2,565,327,848.96	3,314,871,787.14
Net income from investment banking business		954,851,001.55	1,242,231,940.96	917,548,829.44	1,195,672,630.13
Net income from asset management business		160,723,663.27	242,054,897.29	-	-
Net interest income	41	1,923,556,928.06	1,724,164,807.60	1,624,859,537.18	1,467,659,836.06
Including:					
Interest income		4,984,305,306.86	4,711,399,408.10	4,521,089,324.11	4,289,018,427.56
Interest expense		(3,060,748,378.80)	(2,987,234,600.50)	(2,896,229,786.93)	(2,821,358,591.50)
Investment gains	42	250,995,278.90	3,178,407,114.93	688,240,365.67	2,304,017,728.82
Including:					
Gains from investments in associates and joint ventures		132,837,092.94	53,633,894.62	5,593,159.47	2,221,905.98
Other income	43	361,248,332.61	197,809,257.54	136,746,390.97	82,709,245.16
Gains from changes in fair value	44	263,508,932.74	603,195,556.09	106,087,842.34	349,173,585.31
Exchange (losses)/gains		(34,923,626.72)	47,705,729.03	1,209,414.11	(383,613.34)
Other operating income	45	757,864,161.48	3,111,278,510.11	2,087,629.94	4,431,214.06
Gains from disposal of assets		498,442.16	3,810,812.52	708,990.50	3,562,226.26
II. Operating expenses		(6,539,849,081.62)	(11,264,171,863.48)	(4,106,451,855.43)	(5,188,950,476.99)
Taxes and surcharges	46	(71,035,283.91)	(107,205,060.35)	(52,546,232.94)	(61,764,760.96)
General and administrative expenses	47	(5,608,857,991.86)	(8,130,633,828.75)	(4,051,058,028.23)	(5,254,638,909.06)
Credit impairment (losses)/reversal	48	(73,588,861.41)	43,293,193.71	(2,381,898.98)	129,639,402.86
Impairment reversal on other assets	49	5,925,065.97	20,800,110.60	-	-
Other operating costs	50	(792,292,010.41)	(3,090,426,278.69)	(465,695.28)	(2,186,209.83)
III. Operating profit		4,119,788,949.73	7,707,996,891.43	2,203,635,639.32	3,787,956,066.07
Add: Non-operating income	51	1,590,797.06	601,424.06	591,279.69	237,078.54
Less: Non-operating expenses	51	(25,340,028.31)	(45,353,195.61)	(13,220,725.53)	(34,657,997.88)
IV. Profit before income tax		4,096,039,718.48	7,663,245,119.88	2,191,006,193.48	3,753,535,146.73
Less: Income tax expenses	52	(753,212,807.46)	(1,807,826,480.30)	(177,532,743.35)	(777,927,514.06)
V. Net profit for the year		3,342,826,911.02	5,855,418,639.58	2,013,473,450.13	2,975,607,632.67

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		The Group		*The Company*	
	Note VI	*2022*	*2021*	*2022*	*2021*
V. Net profit for the year (continued)					
(1) Net profit classified by ownership					
Shareholders of the Company		2,637,075,791.20	4,743,070,343.36	2,013,473,450.13	2,975,607,632.67
Non-controlling interests		705,751,119.82	1,112,348,296.22	-	-
(2) Net profit classified by continuity of operations					
Net profit from continuing operations		3,342,826,911.02	5,855,418,639.58	2,013,473,450.13	2,975,607,632.67
VI. Other comprehensive income, net of tax	36	33,493,170.47	(126,019,286.42)	(177,986,398.82)	(22,541,310.11)
Other comprehensive income (net of tax) attributable to shareholders of the Company		(41,795,790.99)	(86,798,667.91)	(177,986,398.82)	(22,541,310.11)
(1) Items that will not be reclassified to profit or loss		(60,182,729.40)	(89,072,286.74)	-	(89,072,286.74)
1. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		(28,745,209.54)	-	-	-
2. Changes in fair value of investments in other equity instruments		(31,437,519.86)	(89,072,286.74)	-	(89,072,286.74)
(2) Items that may be reclassified to profit or loss		18,386,938.41	2,273,618.83	(177,986,398.82)	66,530,976.63
1. Changes in fair value of other debt investments		(189,255,171.40)	104,720,896.23	(176,629,423.63)	104,720,896.23
2. Credit losses of other debt investments		(1,243,631.28)	(38,189,919.60)	(1,356,975.19)	(38,189,919.60)
3. Translation differences arising from translation of foreign currency financial statements		208,885,741.09	(64,257,357.80)	-	-

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2022	The Group 2021	The Company 2022	The Company 2021
Other comprehensive income (net of tax) attributable to non-controlling interests		75,288,961.46	(39,220,618.51)	-	-
VII. Total comprehensive income for the year		3,376,320,081.49	5,729,399,353.16	1,835,487,051.31	2,953,066,322.56
Attributable to shareholders of the Company		2,595,280,000.21	4,656,271,675.45	1,835,487,051.31	2,953,066,322.56
Attributable to non-controlling interests		781,040,081.28	1,073,127,677.71	-	-
VIII. Earnings per share					
(1) Basic earnings per share	53	0.35	0.68	N/A	N/A
(2) Diluted earnings per share	53	0.35	0.68	N/A	N/A

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Note VI	*The Group* 2022	2021	*The Company* 2022	2021
I. Cash flows from operating activities:					
Net cash from accounts payable to brokerage clients		12,707,514,029.44	16,854,620,070.07	8,058,441,172.93	9,165,695,761.07
Proceeds from interest, fee and commission income		13,475,668,737.88	16,691,914,210.99	8,167,417,606.18	9,037,249,527.63
Net increase in repurchases businesses		-	2,669,324,711.19	-	3,358,391,211.47
Net increase in placements from other financial institutions		1,464,000,000.00	970,000,000.00	1,464,000,000.00	970,000,000.00
Net decrease in margin accounts		5,681,826,536.01	-	5,686,941,270.75	-
Proceeds from other operating activities	54(1)	12,794,949,047.44	7,460,065,969.59	10,894,411,980.09	3,581,909,982.73
Sub-total of cash from operating activities		46,123,958,350.77	44,645,924,961.84	34,271,212,029.95	26,113,246,482.90
Net increase in resale businesses		(3,482,431,302.18)	-	(3,272,803,312.21)	-
Net increase in financial instruments held for trading		(2,877,905,126.44)	(6,340,157,129.34)	(4,368,250,993.81)	(6,358,391,415.29)
Net increase in margin accounts		-	(3,401,387,346.48)	-	(4,712,269,084.90)
Payment of employee benefits		(4,942,585,301.69)	(5,060,259,571.03)	(3,706,308,066.66)	(3,732,747,991.29)
Payment of various taxes		(4,615,758,643.69)	(5,381,174,462.24)	(2,914,869,005.05)	(3,158,228,882.01)
Payment for interest, fee and commission		(3,070,964,260.79)	(2,965,070,976.40)	(1,417,226,205.81)	(1,547,102,212.49)
Payment for other operating activities	54(2)	(4,477,899,701.89)	(6,291,767,487.90)	(4,013,293,981.49)	(2,332,828,955.92)
Sub-total of cash from operating activities		(23,467,544,336.68)	(29,439,816,973.39)	(19,692,751,565.03)	(21,841,568,541.90)
Net cash flows generated from operating activities	55(1)(a)	22,656,414,014.09	15,206,107,988.45	14,578,460,464.92	4,271,677,941.00

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

		The Group		*The Company*	
	Note VI	*2022*	*2021*	*2022*	*2021*
II. Cash flows from investing activities:					
Investment returns received		1,123,231,401.36	1,268,324,002.96	1,122,157,416.90	1,545,340,612.94
Proceeds from disposal of investments		8,582.37	1,233,395,717.27	-	957,832,696.35
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,172,089.00	1,898,809.84	744,750.91	1,161,197.07
Sub-total of cash from investing activities		1,124,412,072.73	2,503,618,530.07	1,122,902,167.81	2,504,334,506.36
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(577,996,548.74)	(530,803,285.71)	(541,763,094.86)	(484,287,003.57)
Payment for acquisition of investments		(10,393,653,325.95)	(2,908,203,814.83)	(8,886,150,613.64)	(3,982,169,449.11)
Sub-total of cash from investing activities		(10,971,649,874.69)	(3,439,007,100.54)	(9,427,913,708.50)	(4,466,456,452.68)
Net cash flows used in investing activities		(9,847,237,801.96)	(935,388,570.47)	(8,305,011,540.69)	(1,962,121,946.32)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement
for the year ended 31 December 2022 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2022	The Group 2021	The Company 2022	The Company 2021
III. Cash flows from financing activities:					
Cash received from absorption of investments		10,031,436,496.66	-	10,029,636,496.66	-
Including: Cash received from non-controlling interests in subsidiaries		1,800,000.00	-	-	-
Proceeds from issuance of bonds and short-term debt instruments		39,238,763,910.05	63,430,812,674.10	39,238,763,910.05	61,500,383,076.00
Proceeds from loans and borrowings		1,331,172,602.96	37,793,973,671.14	-	-
Sub-total of cash inflow from financing activities		50,601,373,009.67	101,224,786,345.24	49,268,400,406.71	61,500,383,076.00
Repayments of loans and borrowings		(44,128,777,770.19)	(95,311,597,631.03)	(41,313,702,167.00)	(54,017,062,036.00)
Payment for dividends, profit distributions or interest		(3,388,157,791.59)	(3,502,230,479.79)	(3,266,571,080.28)	(3,242,963,981.52)
Including: Dividends and profits paid by subsidiaries to non-controlling interests		-	(3,161,121.10)	-	-
Payment for other financing activities		(329,036,740.32)	(295,504,074.04)	(244,034,140.29)	(213,709,661.74)
Sub-total of cash outflow from financing activities		(47,845,972,302.10)	(99,109,332,184.86)	(44,824,307,387.57)	(57,473,735,679.26)
Net cash generated from financing activities		2,755,400,707.57	2,115,454,160.38	4,444,093,019.14	4,026,647,396.74
IV. Effect of foreign exchange rate changes		(34,923,626.72)	47,705,729.03	1,209,414.11	(383,613.34)
V. Net increase in cash and cash equivalents	55(1)(c)	15,529,653,292.98	16,433,879,307.39	10,718,751,357.48	6,335,819,778.08
Add: Cash and cash equivalents at the beginning of the year		70,825,300,555.07	54,391,421,247.68	45,580,006,340.53	39,244,186,562.45
VI. Cash and cash equivalents at the end of the year	55(3)	86,354,953,848.05	70,825,300,555.07	56,298,757,698.01	45,580,006,340.53

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

		Equity attributable to shareholders of the Company								
	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total*
Balance at 31 December 2021		6,696,671,674.00	14,376,951,849.01	269,294,297.19	2,308,549,565.26	5,990,435,130.55	11,547,539,511.44	41,189,442,027.45	4,166,033,489.46	45,355,475,516.91
Changes in equity during the year		1,939,315,620.00	8,095,175,228.89	(41,795,790.99)	201,347,345.01	674,756,337.24	206,494,396.03	11,075,293,136.18	406,697,934.72	11,481,991,070.90
1. Total comprehensive income		-	-	(41,795,790.99)	-	-	2,637,075,791.20	2,595,280,000.21	781,040,081.28	3,376,320,081.49
2. Shareholders' contributions of capital		1,939,315,620.00	8,095,026,003.25	-	-	-	-	10,034,341,623.25	(6,842,146.56)	10,027,499,476.69
(1) Common shares invested by shareholders		1,939,315,620.00	8,087,416,695.79	-	-	-	-	10,026,732,315.79	1,800,000.00	10,028,532,315.79
(2) Others		-	7,609,307.46	-	-	-	-	7,609,307.46	(8,642,146.56)	(1,032,839.10)
3. Appropriation of profits	VI.39	-	-	-	201,347,345.01	674,756,337.24	(2,430,581,395.17)	(1,554,477,712.92)	(367,500,000.00)	(1,921,977,712.92)
(1) Appropriation for general risk reserve		-	-	-	201,347,345.01	-	(201,347,345.01)	-	-	-
(2) Appropriation for surplus reserve		-	-	-	-	674,756,337.24	(674,756,337.24)	-	-	-
(3) Distribution to shareholders		-	-	-	-	-	(1,554,477,712.92)	(1,554,477,712.92)	(367,500,000.00)	(1,921,977,712.92)
4. Others		-	149,225.64	-	-	-	-	149,225.64	-	149,225.64
Balance at 31 December 2022		8,635,987,294.00	22,472,127,077.90	227,498,506.20	2,509,896,910.27	6,665,191,467.79	11,754,033,907.47	52,264,735,163.63	4,572,731,424.18	56,837,466,587.81

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		Equity attributable to shareholders of the Company							*Non-controlling interests*	*Total*
	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Sub-total*		
Balance at 31 December 2020		6,696,671,674.00	14,376,951,849.01	356,092,965.10	2,010,988,801.99	5,018,446,395.58	9,279,419,567.64	37,738,571,253.32	3,096,853,208.35	40,835,424,461.67
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-
Balance at 1 January 2021		6,696,671,674.00	14,376,951,849.01	356,092,965.10	2,010,988,801.99	5,018,446,395.58	9,279,419,567.64	37,738,571,253.32	3,096,853,208.35	40,835,424,461.67
Changes in equity during the year		-	-	(86,798,667.91)	297,560,763.27	971,988,734.97	2,268,119,943.80	3,450,870,774.13	1,069,180,281.11	4,520,051,055.24
1. Total comprehensive income		-	-	(86,798,667.91)	-	-	4,743,070,343.36	4,656,271,675.45	1,073,127,677.71	5,729,399,353.16
2. Shareholders' contributions of capital		-	-	-	-	-	-	-	(786,275.50)	(786,275.50)
(1) Disposal of subsidiaries		-	-	-	-	-	-	-	(786,275.50)	(786,275.50)
3. Appropriation of profits	VI.39	-	-	-	297,560,763.27	971,988,734.97	(2,474,950,399.56)	(1,205,400,901.32)	(3,161,121.10)	(1,208,562,022.42)
(1) Appropriation for surplus reserve		-	-	-	297,560,763.27	-	(297,560,763.27)	-	-	-
(2) Appropriation for general risk reserve		-	-	-	-	971,988,734.97	(971,988,734.97)	-	-	-
(3) Distributions to shareholders		-	-	-	-	-	(1,205,400,901.32)	(1,205,400,901.32)	(3,161,121.10)	(1,208,562,022.42)
Balance at 31 December 2021		6,696,671,674.00	14,376,951,849.01	269,294,297.19	2,308,549,565.26	5,990,435,130.55	11,547,539,511.44	41,189,442,027.45	4,166,033,489.46	45,355,475,516.91

These financial statements were approved by the Board of Directors on 20 Apri 2023 and were signed by the following persons in charge:

Yang Huahui
Legal representative

Xu Qingchun
The person in charge of accounting affairs

Ma Yajing
The head of the accounting department

(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Company statement of changes in shareholders' equity
for the year ended 31 December 2022
(Expressed in Renminbi Yuan)

	Share capital	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Total*
Balance at 31 December 2021	6,696,671,674.00	14,234,115,813.82	298,169,158.67	2,308,549,565.26	4,398,333,241.12	8,660,230,905.45	36,596,070,358.32
Changes in equity during the year	1,939,315,620.00	8,087,416,695.79	(177,986,398.82)	201,347,345.01	402,694,690.02	(145,046,297.82)	10,307,741,654.18
1. Total comprehensive income	-	-	(177,986,398.82)	-	-	2,013,473,450.13	1,835,487,051.31
2. Shareholders' contributions of capita	1,939,315,620.00	8,087,416,695.79	-	-	-	-	10,026,732,315.79
(1) Common shares invested by shareholders	1,939,315,620.00	8,087,416,695.79	-	-	-	-	10,026,732,315.79
3. Appropriation of profits	-	-	-	201,347,345.01	402,694,690.02	(2,158,519,747.95)	(1,554,477,712.92)
(1) Appropriation for surplus reserve	-	-	-	201,347,345.01	-	(201,347,345.01)	-
(2) Appropriation for general risk reserve	-	-	-	-	402,694,690.02	(402,694,690.02)	-
(3) Distributions to shareholders	-	-	-	-	-	(1,554,477,712.92)	(1,554,477,712.92)
Balance at 31 December 2022	8,635,987,294.00	22,321,532,509.61	120,182,759.85	2,509,896,910.27	4,801,027,931.14	8,515,184,607.63	46,903,812,012.50

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Company statement of changes in shareholders' equity
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Total*
Balance at 31 December 2020		6,696,671,674.00	14,234,115,813.82	320,710,468.78	2,010,988,801.99	3,803,211,714.58	7,782,706,463.91	34,848,404,937.08
Add: Changes in accounting policies		-	-	-	-	-	-	-
Balance at 1 January 2021		6,696,671,674.00	14,234,115,813.82	320,710,468.78	2,010,988,801.99	3,803,211,714.58	7,782,706,463.91	34,848,404,937.08
Changes in equity during the year		-	-	(22,541,310.11)	297,560,763.27	595,121,526.54	877,524,441.54	1,747,665,421.24
1. Total comprehensive income		-	-	(22,541,310.11)	-	-	2,975,607,632.67	2,953,066,322.56
2. Appropriation of profits		-	-	-	297,560,763.27	595,121,526.54	(2,098,083,191.13)	(1,205,400,901.32)
(1) Appropriation for surplus reserve		-	-	-	297,560,763.27	-	(297,560,763.27)	-
(2) Appropriation for general risk reserve		-	-	-	-	595,121,526.54	(595,121,526.54)	-
(3) Distributions to shareholders		-	-	-	-	-	(1,205,400,901.32)	(1,205,400,901.32)
Balance at 31 December 2021		6,696,671,674.00	14,234,115,813.82	298,169,158.67	2,308,549,565.26	4,398,333,241.12	8,660,230,905.45	36,596,070,358.32

These financial statements were approved by the Board of Directors on 20 April 2023 and were signed by the following persons in charge:

Yang Huahui Legal representative	Xu Qingchun The person in charge of accounting affairs	Ma Yajing The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

I. Company status

1 History of development and restructuring

Industrial Securities Co., Ltd. (hereinafter referred to as “Company” or “the Company”) was formerly known as Fujian Industrial Securities Co., Ltd. (福建兴业证券公司). Fujian Industrial Bank Co., Ltd. (福建兴业银行) established the Securities Business Department in October 1991. With the approval of *Yin Fu [1994] No.160 the Official Reply on Establishing Fujian Industrial Securities Co., Ltd.* issued by People’s Bank of China on 29 April 1994, on the basis of the Securities Business Department under Fujian Industrial Bank Co., Ltd., Fujian Industrial Securities Co., Ltd. was restructured and established as a wholly-owned professional securities subsidiary of Fujian Industrial Bank Co., Ltd., with a registered capital of RMB100 million.

With the approval of *Zheng Jian Ji Gou Zi [1999] No.73 the Official Reply on the Separation of Fujian Industrial Securities Co., Ltd. from Fujian Industrial Bank Co., Ltd. and the Scheme on the Increase in Capital and Share* issued by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) on 9 August 1999, Fujian Industrial Securities Co., Ltd. was separated from Fujian Industrial Bank Co., Ltd., and was carried out the restructuring and the increase in capital and share. The establishment meeting of Industrial Securities Co., Ltd. was held on 19 December 1999. With the issuance of *Zheng Jian Ji Gou Zi [2000] No.52 the Official Reply on Approving the Capital Increase, Restructuring and Rename of Fujian Industrial Securities Co., Ltd.* by CSRC on 15 March 2000, Fujian Industrial Securities Co., Ltd. became a comprehensive securities company. Meanwhile, with the approval of *Min Ti Gai [1999] No.125 the Official Reply on Approving the Establishment of Industrial Securities Co., Ltd.* issued by Fujian Economic System Reform Commission, the Company was approved by the Administration for Industry and Commerce of Fujian to be registered as Industrial Securities Co., Ltd., with a registered capital of RMB908 million.

On 28 September 2007, according to *Zheng Jian Ji Gou Zi [2007] No.246 the Official Reply on the Increase in Capital and Share of Industrial Securities Co., Ltd.* issued by CSRC, the Company increased its registered capital by RMB582 million, and the registered capital was RMB1.490 billion after the change.

On 24 December 2008, according to *Zheng Jian Xu Ke [2008] No.1441 the Official Reply on Approving the Change in the Registered Capital of Industrial Securities Co., Ltd.* issued by CSRC, the Company distributed 447 million bonus shares to all shareholders by converting retained earnings into capital, with a par value of RMB1 per share, increasing the registered capital by a total of RMB447 million, and the registered capital was RMB1.937 billion after the change.

On 9 September 2010, with the approval of *Zheng Jian Xu Ke [2010] No.1240 the Official Reply on Approving the Initial Public Offering of Shares of Industrial Securities Co., Ltd.* issued by CSRC, the Company issued 263 million RMB ordinary shares to the public. The total registered capital of the Company was RMB2.2 billion after the issuance. The Company’s stocks were listed on the Shanghai Stock Exchange (SSE) on 13 October 2010, with a stock short name of “Industrial Securities”, and the stock code is “601377”.

With the approval of *Zheng Jian Xu Ke [2013] No. 161 the Official Reply on Approving the Non-public Offering of Stocks of Industrial Securities Co., Ltd.* issued by CSRC on 16 February 2013, the Company was approved for the non-public offering of up to 400 million RMB ordinary shares (A Shares). On 26 April 2013, the Company completed the non-public offering of 400 million RMB ordinary shares (A Shares), increasing the total registered capital to RMB2.6 billion.

On 5 September 2014, based on the *Proposal on the Company's 2014 Semi-annual Conversion of Capital Reserve to Increase the Share Capital* approved at the second extraordinary general meeting of shareholders in 2014, the Company increased shares to all shareholders with the capital reserve by transferring 10 shares for every 10 shares, increasing the share capital by RMB2.6 billion. On 22 September 2014, the Company completed the conversion of capital reserve into share capital, and the total registered capital increased to RMB5.2 billion.

On 13 July 2015, with the approval of *Zheng Jian Xu Ke [2015] No.1631 the Official Reply on Approving the Allotment of Shares of Industrial Securities Co., Ltd.* issued by CSRC, the Company allotted shares to A Shares' shareholders at a ratio of 3 shares for every 10 shares. The Company completed the allotment of shares on 7 January 2016, 1,496,671,674 RMB ordinary shares (A Shares) were actually allotted to the original shareholders, increasing the total registered capital of the Company to RMB6,696,671,674.00.

On 18 February 2016, the Company held the first extraordinary general meeting of shareholders in 2016 and approved the *Proposal on the Share Repurchase of Industrial Securities*, the Company intended to conduct the share repurchase plan, and the repurchased shares will be used as the source of shares for the Company's employee stock ownership plan. The cumulative of shares repurchased by the Company was 68,000,243 shares. On 17 August 2017, the Company completed the stock transfer procedures for the employee stock ownership plan.

On 26 April 2022, with the approval of *Zheng Jian Xu Ke [2022] No.874 the Official Reply on Approving the Allotment of Shares of Industrial Securities Co., Ltd.* issued by CSRC, the Company allotted shares to A Shares' shareholders at a ratio of 3 shares for every 10 shares. The Company completed the allotment of shares on 25 August 2022, 1,939,315,620 RMB ordinary shares (A Shares) were actually allotted to the original shareholders, increasing the total registered capital of the Company to RMB 8,635,987,294.00.

As at 31 December 2022, Fujian Provincial Department of Finance was the largest shareholder of the Company. The Group's total number of employees is 10,154, including 8 senior management personnel.

2 Registration place, organisational form and the address of the headquarters

As at 31 December 2022, the Company owned 111 branches, 165 business offices and certain subsidiaries. For information about the subsidiaries of the Company, please see Note V.

The Company's unified social credit code is 91350000158159898D, and the registration place is No.268 Hudong Road, Fuzhou, Fujian Province. The Company's headquarters is located at No.268 Hudong Road, Fuzhou, Fujian Province, and the legal representative is Yang Huahui.

3 The principal activities of the Company and its subsidiaries (referred to as the "Group") are:

Securities brokerage; securities investment consulting; financial advisory related to securities exchange and securities investment activities; securities underwriting and sponsorship; securities proprietary; securities margin trading; securities investment fund agency; financial product sales agency; custody business of securities investment funds; provision of intermediary business for futures companies; market-making in listed securities; internet information services (not including news, publication, education, healthcare, medicine and medical devices) and electronic bulletin services; fund investment advisory business; securities asset management; commodity futures brokerage and financial futures brokerage; fund raising, fund sales, asset management, asset management for specific customers; private investment fund business; property management services; lending and borrowing business; enterprise management consulting, business information consulting, market information consulting and investigation services; investments in financial products, equities, projects and investment management; investment consulting, etc. (For business activities subject to approval in accordance with laws and regulations, operations shall be conducted only with the approval of the relevant government authorities.)

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

III Significant accounting policies and accounting estimates

1 Statement of compliance

These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2022, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the CSRC in 2014.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Operating cycle

The Company is a financial institution of which the operating cycle is not clearly identifiable.

4 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.8.

5 Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.15). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.10(2)(b)); Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 Foreign currency transactions and translation of foreign currency financial statements

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

The spot exchange rate is the rate of RMB quoted by the People's Bank of China. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the 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 re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operations are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.10), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial or financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.23.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("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 other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. 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, as well as a profit margin. The Group also assesses 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.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income 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. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or amortised cost.

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial guarantee liabilities

  Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

  Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note III.23. A financial guarantee liability is measured at the higher of:

  • the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Notes III.9(6)); and
  • the amount initially recognised less the cumulative amount of income.

- Financial liabilities at amortised cost

  These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- lease receivables; and
- financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, 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 (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for accounts receivable, lease receivables and contract assets are always measured at an amount equal to lifetime ECL. 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 balance sheet date.

Except for accounts receivable, lease receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and 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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- 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 balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments 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 or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulties, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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.

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

10 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale (see Note III.28). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.17.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.10(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.10(3)).

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.28).

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.17.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

11 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line over its estimated useful life, unless the investment property is classified as held for sale (see Note III.28). For the impairment of the investment properties, refer to Note III.17.

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

Category	*Estimated useful life (years)*	*Residual value rate (%)*	*Depreciation rate (%)*
Plant and buildings	35	5	2.71

12 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.13.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.28).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Category	*Estimated useful life (years)*	*Residual value rate (%)*	*Depreciation rate (%)*
Plant and buildings	16 - 35	5	2.71 - 5.94
Machinery and equipment	2 - 11	1、5	8.64 - 49.50
Motor vehicles	6 - 8	5	11.88 - 15.83
Other equipment	5	5	19.00

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.17.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

13 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17).

14 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.28).

The respective amortisation periods for major intangible assets are as follows:

Item	*Amortisation period (years)*
Software	3-10

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year.

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. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note III.17). Other development expenditure is recognised as an expense in the period in which it is incurred.

15 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

16 Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period.

17 Impairment of assets other than financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill and intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.18) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

18 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19 Financial assets held under resale agreements and financial assets sold under repurchase agreements

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

The cash advanced or received is recognised as amounts purchased under agreements to resell or sold under repurchase agreements in the balance sheet. Underlying assets purchased under agreements to resell are reported not as purchase of the assets but recorded as off-balance sheet items. Underlying assets sold under repurchase agreement are retained in the balance sheet.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognized as interest income and interest expenses respectively, over the life of each agreement using the effective interest method.

Initial cost less provision for impairments of financial assets held under resale agreements is stated in the balance sheet at cost less accumulated impairment losses (see Note III. 9(6)).

20 Employee benefits

(1) Salaries and other employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

21 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

22 Appropriation of profits

(1) Distributions to shareholders

Dividends distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(2) Appropriation for general risk reserve

In accordance with the *Financial Rules for Financial Enterprises (Order of MOF No.42)* and the application guidance (Caijin [2007] No.23), and the *Notice of Annual Report of Securities Companies in 2007 (Zheng Jian Ji Gou Zi [2007] No.320)* issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit for the period to the general risk reserve and an amount equivalent to 10% of the net profit for the period to the trading risk reserve according to the Securities Law and Zheng Jian Ji Gou Zi [2007] No.320. Related subsidiaries of the Company appropriate general risk reserve or trading risk reserve according to relevant regulatory requirements. General risk reserve and trading risk reserve are included and accounted for in the general risk reserve.

23 Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the customer can control the asset created or enhanced during the Group’s performance; or
- the Group’s performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) Fee and commission income

Fee and commission income is measured at the fair value of the consideration received or receivable under the contract or agreement during the provision of services in daily operation.

Relevant fee and commission income are recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

(a) Income from brokerage business

Commission income from securities brokerage services and futures brokerage services are recognized at transaction date.

(b) Income from investment banking business

Commission income from underwriting business is recognized when the obligation is completed.

According to the terms of contract, income from sponsoring business is recognized during the process of performing obligation or when the obligation is completed.

(c) Income from financial advisory services

According to the nature of financial advisory services and proportion in the contract, income from financial advisory services is recognized during the process of performing obligation or when the obligation is completed.

(d) Income from asset management and fund management business

Income from asset management and fund management fee of entrusted clients to be enjoyed by the Company shall be calculated according to the criteria and proportion specified in the contract during the process of performing obligation and recognized as revenue if no significant reversals in the amount of cumulative revenue recognised will occur.

24 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

25 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

26 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

27 Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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 assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.23.

(1) As a lessee

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, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.17.

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.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, 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.

With the exception of short-term leases and cases where the simplified method for epidemic rent concessions are used, for other lease modifications where leases add the right to use of one or more leased assets for an amount equal to the individual price of the use of the increased use, the Group will account for the change as a separate lease; If the lease modification is not a separate lease, the Group shall, on the effective date of the lease modification, apportion the consideration of the contract after the change, re-determine the lease term after the change, and re-measure the lease liability according to the lease payment amount after the change and the revised discount rate.

If we choose to apply the simplified method for epidemic rent concessions, the Group will continue to calculate the interest expense of the lease liabilities and record it into the current profits and losses at the discount rate consistent with that before the concession, and continue to make depreciation and other subsequent measurements of the right-to-use assets in accordance with the method before the concession. If rent reduction occurs, the Group will regard the reduced rent as the variable lease payments. When the original rent payment obligation is discharged such as a concession agreement is reached, the group will deduct against the cost or expense of relevant assets according to the discounted amount of the undiscounted or pre-discounted rate of concession, and adjust liabilities accordingly. If the payment of rent is delayed, the Group shall deduct against the leasing liabilities confirmed at the earlier stage when the actual payment is made.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

In addition to the cases where the simplified method for epidemic rent concessions is applied, the Group will treat it as a new lease for accounting treatment if it is a short-term lease modification or change of lease term due to reasons other than lease modification.

Applying the simplified method for epidemic rent concessions to the short-term leases and low-value asset leases, the Group continues to include the original contract rent into the cost or expense of the related assets in the same way as before the concession. If rent reduction occurs, the Group will treat the reduced rent as variable lease payment and deduct against the cost or expense of related assets during the reduction period. If the payment of rent is delayed, the Group shall recognize the rent payable as payables during the original payment period and deduct against the confirmed payables in the earlier period when the actual payment is made.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, 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 practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.9. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognized as rental income on a straight-line basis over the lease term. The Group capitalizes the initial direct costs incurred in connection with operating leases, which are amortized over the lease term on the same basis as rental income is recognized, and are recognized in profit or loss in the current period. Variable lease payments not included in the lease receipts are recognized in current profit or loss when they are actually incurred.

28 Assets held for sale and discontinued operations

(1) Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use,.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;

- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.18) less costs to sell (except financial assets (see note III.9), deferred tax assets (see note III.26) and investment properties with subsequent measurement using the fair value model (see Note III.11)) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.18) less costs to sell is recognised as an impairment loss in profit or loss.

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;

- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;

- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

29 Margin trading and short selling business

The Group is engaged in margin financing and securities lending business, that is, the business activity of lending funds to customers for buying securities or lending securities for selling, and customers depositing the corresponding collateral.

(a) Margin financing

The Group lends funds to customers that forms debts, and recognizes the commissions fee as interest income according to the agreements of margin financing lending.

The recognition of reserve for margin financing refers to that of the financial assets measured at amortised cost from the impairment of financial assets.

(b) Securities lending

The group lends its own securities to customers with agreed terms and interest rates, and retrieves the same amount of the securities lent when the contract terminates. The Group recognizes the commissions fee as interest income according to the agreements of margin financing and securities lending. The securities lent does not satisfy the requirement of derecognition, thus continuing to be recognized as financial assets.

30 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of *Administrative Procedures on the Information Disclosures of Listed Companies* issued by the CSRC.

31 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 after taking the materiality principle into account. Two or more operating segments during comparative period may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes 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. Reportable segments are identified based on operating segments taking into account of materiality principle.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies, in all material respects, are consistent with those for the consolidated financial statements.

32 Significant accounting estimates and judgements

The preparation of the 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 as well as underlying assumptions and uncertainties involved 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.

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets and intangible assets (see Note III. 11, 12 and 14) and provision for impairment of various types of assets (see Note VI.1, 3, 6, 7, 15, 16, 17 and 19), other significant accounting estimates are as follows:

(a) Note VI.18: Recognition of deferred tax assets;
(b) Note XIV - Valuation of fair value of financial instruments

(2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(a) Note V.2 - Structured entities or business entities that form control through entrusted operation

33 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2022, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF, mainly include:

- Accounting treatment regarding the effects of income tax of dividends from a financial instrument classified as equity instrument by issuers in the Interpretation of the Accounting Standards for Business Enterprises No. 16 ("Interpretation No. 16") ;
- Accounting treatment regarding the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise in the Interpretation No. 16.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

(2) Changes in accounting estimates

There are no changes in significant accounting estimates during the reporting period.

IV Taxation

The applicable taxes and fees related to our services provided and other operations are VAT, city maintenance and construction tax, education surcharge and local education surcharge, corporate income tax, etc.

Tax type	*Tax basis*
Value-added tax (VAT) (i)	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
Urban maintenance and construction tax	Based on VAT paid
Education surcharges and local education surcharges	Based on VAT paid
Corporate income tax (ii)	Based on taxable profits

(i) Value-added tax (VAT)

Pursuant to the *Public Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner(Caishui [2016] No. 36) of the Ministry of Finance and the State Administration of Taxation*, the *Circular on Further Clarifying Polices Concerning the Financial Industry During the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax (Cai Shui [2016] No. 46)* and the *Supplemental Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Financial Transactions between Financial Institutions and Other Matters (Cai Shui [2016] No. 70)*, the Company's revenue from principal activities has been applicable for VAT since 1 May 2016, at a tax rate of 6%.

According to *Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No. 140)*, *Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No. 2)* and *Notice on Issues Relating to VAT on Fund Management Products (Cai Shui [2017] No. 56)* issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simple tax computation method shall apply in the interim to VAT taxable acts arising in the course of operation of fund management products by managers of fund management products (hereinafter referred to as the "managers"), and VAT shall be payable in accordance with the 3% levy rate.

(ii) Corporate income tax

In 2022, except the domestic subsidiary of the Company - Fuzhou Xingzheng Property Management Co., Ltd. (福州兴证物业管理有限公司) is subject to a tax rate of 2.5%, the Company and other subsidiaries in China are all subject to an income tax rate of 25%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

V Business combinations and consolidated financial statements

1 Information about the subsidiaries

(1) Major subsidiaries acquired through establishment as at 31 December 2022

Name of the subsidiary	*Registered place*	*Paid-in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
1. Xingye Chuangxin Capital Management Co., Ltd.	Fuzhou	RMB700 million	Equity investments, financial advisory services	100.00%	-	100.00%	-
1) Fujian Xingtan Private Equity Investment Management Co., Ltd. (福建省兴潭私募股权投资管理有限公司)	Pingtan, Fuzhou	RMB5 million	Equity investment management and consulting	-	80.00%	-	80.00%
2. Industrial Securities (Hong Kong) Financial Holdings Limited ("Industrial Securities (Hong Kong)") (兴证(香港)金融控股有限公司)	Hong Kong	HKD3 billion	Investment holding	100.00%	-	100.00%	-
1) Industrial Securities Consulting Service Co., Ltd. (兴证咨询服务 (深圳) 有限公司)	Shenzhen	HKD10 million	Consulting services	-	100.00%	-	100.00%
2) China Industrial Securities International Financial Group Limited ("Industrial Securities International") (Note 1)	Cayman Islands	HKD400 million	Investment holding	-	52.26%	-	52.26%
(i) China Industrial Securities International Brokerage Limited	Hong Kong	HKD3.5 billion	Securities trading	-	52.26%	-	52.26%
(ii) China Industrial Securities International Asset Management Limited	Hong Kong	HKD20 million	Asset management	-	52.26%	-	52.26%
(iii) China Industrial Securities International Futures Limited	Hong Kong	HKD50 million	Futures brokerage	-	52.26%	-	52.26%
(iv) China Industrial Securities International Capital Limited	Hong Kong	HKD100 million	Financing services	-	52.26%	-	52.26%
(v) China Industrial Securities International Investment Limited	Hong Kong	HKD20 million	Investment	-	52.26%	-	52.26%
- CISI Investment Limited	British Virgin Islands	USD2.5 million	Proprietary investment	-	52.26%	-	52.26%
- CISI Capital Management Limited	British Virgin Islands	USD1	Proprietary investment	-	52.26%	-	52.26%

Name of the subsidiary	*Registered place*	*Paid -in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
(vi) China Industrial Securities International Wealth Management Limited	Hong Kong	HKD1 million	Private wealth management	-	52.26%	-	52.26%
3) IS (Hong Kong) Investment Limited	British Virgin Islands	USD1	Special purpose entity	-	100.00%	-	100.00%
3. China Industrial Securities Asset Management Co., Ltd. (兴证证券资产管理有限公司)	Pingtan, Fuzhou	RMB800 million	Asset management services	100.00%	-	100.00%	-
4. China Industrial Securities Investment Management Co., Ltd. (兴证投资管理有限公司)	Pingtan, Fuzhou	RMB6 billion	Investment management services	100.00%	-	100.00%	-
5. Fuzhou Xingzheng Property Management Co., Ltd. (福州兴证物业管理有限公司)	Fuzhou	RMB500,000	Property management services	100.00%	-	100.00%	-
6. China Industrial Securities Global Capital Management (Shanghai) Co., Ltd. (兴证全球资本管理 (上海) 有限公司) (Note 2)	Shanghai	RMB80 million	Asset management services	-	51.00%	-	51.00%
7. China Industrial Securities Risk Management Co., Ltd. (兴证风险管理有限公司) (Note 3)	Shanghai	RMB200 million	Risk management services	-	99.55%	-	99.55%

Note 1: China Industrial Securities International Financial Group Limited is company listed on the main board of the Hong Kong Stock Exchange with the stock code of 6058.HK.

Note 2: China Industrial Securities Global Capital Management (Shanghai) Co., Ltd. is a subsidiary established by Aegon-industrial Fund Management Co., Ltd.(兴证全球基金管理有限公司) - a holding subsidiary of the Company, and the Company directly holds 100% equity of China Industrial Securities Global Capital Management (Shanghai) Co., Ltd.

Note 3: Industrial Securities Risk Management Co., Ltd. is a 100% direct holding subsidiary established by China Industrial Securities Futures Co., Ltd. (兴证期货有限公司), the Company's controlling subsidiary.

(2) Major subsidiaries acquired through business combinations involving entities not under common control

Name of the subsidiary	*Registered place*	*Paid-in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
Aegon-industrial Fund Management Co., Ltd. (兴证全球基金管理有限公司) (hereinafter referred to as "AEGON-Industrial Fund")	Shanghai	RMB150 million	Fund management	51.00%	-	51.00%	-
China Industrial Securities Futures Co., Ltd. (兴证期货有限公司) (hereinafter referred to as "Industrial Futures")	Fuzhou	RMB1.6 billion	Futures brokerage	99.55%	-	99.55%	-

2 Structured entities or business entities that form control through entrusted operation

The Group manages or invests in a number of structured entities, mainly including contractual fund (including private equity), wealth management products issued by banks, asset management schemes, trust schemes and limited partnerships. In order to assess whether the Group has control over the structured entities, it mainly considers the its extent of decision making and participation in establishing relevant structured entities, the aggregated economic interest (including the gain from holding a direct investment and expected remuneration) set out in the contractual arrangement, as well as the scope of decision making authority over the structured entities. If the Group determined that it has power over, has exposure to variable returns from its involvement with, and has ability to use its power to affect the amount of its returns from the structured entities, it will include the structured entities in the consolidated financial statement as the Group has control over the structured entities.

As at 31 December 2022 and 31 December 2021, the total net assets of the Group's structured entities included in the consolidation scope amounted to RMB10,092 million and RMB11,688 million, respectively. As at 31 December 2022, the interests of the Company and its subsidiaries in the above-mentioned structured entities as reflected in the balance sheets included financial assets held for trading of RMB7,436 million and long-term equity investment of RMB363 million. As at 31 December 2021, the interests of the Company and its subsidiaries in the above-mentioned structured entities as reflected in the balance sheets included financial assets held for trading of RMB9,113 million and long-term equity investment of RMB302 million.

As at 31 December 2022 and 31 December 2021, the Group considered that the above structured entities were controlled by the Group, and included them in the scope of the consolidated financial statements.

3 Subsidiaries included in the scope of the consolidated financial statements but in which the parent company owns half or less of the voting rights

As at 31 December 2022 and 31 December 2021, the Group has no significant subsidiaries included in the scope of the consolidated financial statements but in which the parent company owns half or less of the voting rights.

4 Investees in which the Company owns over half of the voting rights but fails to exercise control

As at 31 December 2022 and 31 December 2021, the Group has no significant investees in which the Group owns over half of the voting rights but fails to exercise control.

5 Change of consolidation scope

In 2022, there were no other significant changes in the scope of consolidation of the Group except for the structured entities included in the consolidation scope as stated in Note V.2.

6 Subsidiaries that have changes in consolidation scope

(1) Key subsidiaries newly consolidated during the year

The Group has no key subsidiaries newly consolidated during the year.

(2) Subsidiaries that ceased to be consolidated during the year

The Group had no subsidiaries that were no longer included in the scope of consolidation during the year.

7 Business combinations involving entities under common control during the year

The Group has no significant business combinations involving enterprises under common control during the year.

8 Business combinations involving entities not under common control occurred during the year

The Group has no significant business combinations involving enterprises not under common control during the year.

9 Exchange rates of major statement items of foreign operations

	Spot exchange rate	
	31 December 2022	*31 December 2021*
USD	6.96460	6.37570
HKD	0.89327	0.81760

VI Notes to the consolidated financial statements

1 Cash at bank and on hand

(1) By category

	31 December 2022 RMB	*31 December 2021* RMB
Deposits with banks	80,201,931,022.95	66,790,825,547.10
Including: Customer deposits	62,176,478,761.53	51,191,896,726.28
Corporate deposits	18,025,452,261.42	15,598,928,820.82
Other monetary deposits	150,565,477.74	64,278,972.28
Less: Provision for impairment	(715,015.19)	(670,668.24)
Total	80,351,781,485.50	66,854,433,851.14

As at 31 December 2022, cash at bank and on hand included bank deposits and interest in the fundraising accounts of the asset management products for which the Company acted as the custodian, totalling RMB381,305,311.66 (31 December 2021: RMB1,055,465,994.21).

(2) Cash at bank and on hand by currency

	31 December 2022		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Deposits with banks			80,201,931,022.95
Including: Corporate deposits			18,025,452,261.42
Including: RMB	15,812,600,318.75	1.00000	15,812,600,318.75
USD	118,693,726.66	6.96460	826,654,328.68
HKD	1,536,130,505.37	0.89327	1,372,179,296.53
Others			14,018,317.46
Customer deposits			62,176,478,761.53
Including: RMB	59,806,531,070.72	1.00000	59,806,531,070.72
USD	96,439,903.94	6.96460	671,659,245.76
HKD	1,872,557,996.50	0.89327	1,672,699,881.53
Others			25,588,563.52
Other monetary deposits			150,565,477.74
Including: RMB	150,565,477.74	1.00000	150,565,477.74
Sub-total			80,352,496,500.69
Less: Provision for impairment			(715,015.19)
Total			80,351,781,485.50

Including: Margin trading and securities lendings

	31 December 2022		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits for margin trading			2,133,266,578.55
Including: RMB	2,133,266,578.55	1.00000	2,133,266,578.55
Customer deposits for margin trading			3,728,435,406.38
Including: RMB	3,728,435,406.38	1.00000	3,728,435,406.38
Total			5,861,701,984.93

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Deposits with banks			66,790,825,547.10
Including: Corporate deposits			15,598,928,820.82
Including: RMB	11,329,474,041.59	1.00000	11,329,474,041.59
USD	240,235,498.09	6.37570	1,531,669,465.18
HKD	3,332,567,890.90	0.81760	2,724,707,507.60
Others			13,077,806.45
Customer deposits			51,191,896,726.28
Including: RMB	48,127,641,936.46	1.00000	48,127,641,936.46
USD	99,652,650.77	6.37570	635,355,405.52
HKD	2,964,000,965.11	0.81760	2,423,367,189.07
Others			5,532,195.23
Other monetary deposits			64,278,972.28
Including: RMB	64,278,972.28	1.00000	64,278,972.28
Sub-total			66,855,104,519.38
Less: Provision for impairment			(670,668.24)
Total			66,854,433,851.14

Including: Margin trading and securities lendings

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits for margin trading			2,267,956,990.37
Including: RMB	2,267,956,990.37	1.00000	2,267,956,990.37
Customer deposits for margin trading			4,060,038,781.17
Including: RMB	4,060,038,781.17	1.00000	4,060,038,781.17
Total			6,327,995,771.54

(3) Cash with restricted usage

As at 31 December 2022, the Group's cash with restricted usage totalled RMB2,834,302,713.46 (31 December 2021: RMB2,494,346,146.37), which was mainly the general risk reserve of the Company's subsidiaries of RMB2,819,386,433.24 as at 31 December 2022 (31 December 2021: RMB2,371,980,784.74).

2 Balances with clearing companies

(1) By category

	31 December 2022 Amount in RMB	*31 December 2021* Amount in RMB
Corporate deposits	3,765,972,648.74	2,970,702,902.64
Customer deposits	5,331,172,981.34	3,641,705,077.19
Total	9,097,145,630.08	6,612,407,979.83

(2) By currency

	31 December 2022		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits			3,765,972,648.74
Including: RMB	3,765,972,648.74	1.00000	3,765,972,648.74
Customer ordinary deposits			4,832,831,698.14
Including: RMB	4,770,866,678.44	1.00000	4,770,866,678.44
USD	6,026,994.73	6.96460	41,975,607.50
HKD	22,377,794.17	0.89327	19,989,412.20
Customer credit deposits			498,341,283.20
Including: RMB	498,341,283.20	1.00000	498,341,283.20
Total			9,097,145,630.08

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits			2,970,702,902.64
Including: RMB	2,970,702,902.64	1.00000	2,970,702,902.64
Customer ordinary deposits			3,377,179,336.46
Including: RMB	3,322,288,134.30	1.00000	3,322,288,134.30
USD	7,304,974.42	6.37570	46,574,325.41
HKD	10,172,305.22	0.81760	8,316,876.75
Customer credit deposits			264,525,740.73
Including: RMB	264,525,740.73	1.00000	264,525,740.73
Total			6,612,407,979.83

3 Margin accounts

(1) By category

	31 December 2022 RMB	*31 December 2021* RMB
Securities margin trading	28,167,996,664.07	33,878,221,544.82
Margin financing	1,357,956,600.82	1,352,841,866.08
Less: Provision for impairment	(878,656,585.05)	(772,588,992.36)
Net margin accounts	28,647,296,679.84	34,458,474,418.54

(2) By ageing

	31 December 2022			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1 - 3 months	9,163,089,652.06	31.03	9,654,163.39	0.11
3 - 6 months	4,346,939,013.72	14.73	5,661,539.63	0.13
More than 6 months	16,015,924,599.11	54.24	863,340,882.03	5.39
Total	29,525,953,264.89	100.00	878,656,585.05	2.98

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1 - 3 months	16,666,384,968.36	47.30	16,422,504.13	0.10
3 - 6 months	6,276,527,010.14	17.82	6,106,962.49	0.10
More than 6 months	12,288,151,432.40	34.88	750,059,525.74	6.10
Total	35,231,063,410.90	100.00	772,588,992.36	2.19

(3) By customer type

	31 December 2022	31 December 2021
Domestic		
Including: Individuals	23,597,104,853.37	27,914,501,862.62
Institutions	4,570,891,810.70	5,963,719,682.20
Less: Provision for impairment	(58,531,165.89)	(89,565,830.76)
Sub-total of carrying amount	28,109,465,498.18	33,788,655,714.06
Overseas		
Including: Individuals	1,167,636,323.16	1,152,853,199.59
Institutions	190,320,277.66	199,988,666.49
Less: Provision for impairment	(820,125,419.16)	(683,023,161.60)
Sub-total of carrying amount	537,831,181.66	669,818,704.48
Total	28,647,296,679.84	34,458,474,418.54

(4) Collaterals

	31 December 2022	31 December 2021
Cash	3,851,676,545.83	4,037,829,658.42
Bonds	5,565,423,046.30	432,742,116.44
Stocks	82,383,381,244.33	110,497,575,574.89
Funds	1,492,139,361.20	1,702,063,582.68
Others	4,544,787.82	3,498,783.30
Total	93,297,164,985.48	116,673,709,715.73

4 Derivative financial instruments

	31 December 2022					
	Derivative financial instruments used for hedge			*Derivative financial instruments used for non-hedge*		
		Fair value			*Fair value*	
	Notional amount	*Assets*	*Liabilities*	*Notional amount*	*Assets*	*Liabilities*
Interest rate derivatives						
-Interest rate swap contracts	-	-	-	7,740,000,000.00	4,395,381.50	-
-Treasury bond future contracts	-	-	-	952,280,000.00	-	-
Equity derivatives						
-Stock index future contracts	-	-	-	21,427,773,460.00	-	-
-Equity income swaps	-	-	-	8,410,185,169.47	189,925,750.73	(83,477,582.74)
-Stock index option contracts	-	-	-	751,654,085.36	18,811,668.99	(32,879,792.14)
-Over-the-counter option contracts	-	-	-	28,535,030,541.79	1,303,759,478.62	(396,373,281.91)
Credit derivatives	-	-	-	-	-	-
Other derivatives						
-Commodity future contracts	-	-	-	14,930,582,545.00	-	-
-Commodity option contracts	-	-	-	136,415,748.00	3,081,192.95	(1,105,211.13)
-Forward derivative Instruments	-	-	-	113,047,169.94	7,455,863.97	-
Total	-	-	-	82,996,968,719.56	1,527,429,336.76	(513,835,867.92)

	31 December 2021					
	Derivative financial instruments used for hedge			*Derivative financial instruments used for non-hedge*		
		Fair value			*Fair value*	
	Notional amount	*Assets*	*Liabilities*	*Notional amount*	*Assets*	*Liabilities*
Interest rate derivatives						
-Interest rate swap contracts	-	-	-	7,740,000,000.00	2,631,482.08	-
-Treasury bond future contracts	-	-	-	342,584,000.00	-	-
Equity derivatives						
-Stock index future contracts	-	-	-	5,096,541,960.00	-	-
-Equity income swaps	-	-	-	5,168,765,932.84	183,830,745.62	(226,596,231.05)
-Stock index option contracts	-	-	-	1,521,324,839.21	33,089,161.06	(24,192,382.20)
-Over-the-counter option contracts	-	-	-	13,695,736,678.90	47,529,612.40	(219,030,205.09)
Credit derivatives	-	-	-	828,993,256.00	-	(871,865.47)
Other derivatives						
-Commodity future contracts	-	-	-	6,041,587,970.00	-	-
-Commodity option contracts	-	-	-	888,538,400.00	1,675,831.43	(4,053,658.23)
Total	-	-	-	41,324,073,036.95	268,756,832.59	(474,744,342.04)

Offset derivative financial instruments

	31 December 2022			*31 December 2021*		
	Total before offsetting	*Amount offset*	*Net amount after offsetting*	*Total before offsetting*	*Amount offset*	*Net amount after offsetting*
Interest rate swap contracts	753,289.70	(753,289.70)	-	1,327,178.21	(1,327,178.21)	-
Treasury bond future contracts	1,168,705.77	(1,168,705.77)	-	(3,067,000.00)	3,067,000.00	-
Stock index future contracts	(584,496,514.74)	584,496,514.74	-	84,484,090.34	(84,484,090.34)	-
Commodity future contracts	(6,462,097.74)	6,462,097.74	-	(2,627,670.00)	2,627,670.00	-
Total	(589,036,617.01)	589,036,617.01	-	80,116,598.55	(80,116,598.55)	-

Under the daily mark-to-market and settlement arrangement, balances with clearing companies include changes in fair value arising from treasury bond futures, interest rate swaps, stock index futures and commodity futures held by the Group. Therefore, treasury bond futures, interest rate swaps, stock index futures and commodity futures under derivative financial assets and derivative financial liabilities are listed according to the net amount after offsetting relevant temporary receipt and payment.

5 Refundable deposits

(1) By category

	31 December 2022	*31 December 2021*
Trading margin	8,443,492,117.67	7,313,545,278.74
Credit deposits	41,374,180.24	60,317,466.56
Performance deposits	1,802,471,568.63	1,807,313,274.42
Total	10,287,337,866.54	9,181,176,019.72

(2) By currency

		31 December 2022		
		Amount in original currency	*Exchange rate*	*Amount in RMB*
Trading margin				8,443,492,117.67
Including:	RMB	8,302,654,507.44	1.00000	8,302,654,507.44
	USD	17,862,502.22	6.96460	124,405,182.94
	HKD	18,395,812.34	0.89327	16,432,427.29
Credit deposits				41,374,180.24
Including:	RMB	41,374,180.24	1.00000	41,374,180.24
Performance deposits				1,802,471,568.63
Including:	RMB	1,789,230,067.94	1.00000	1,789,230,067.94
	HKD	14,823,626.33	0.89327	13,241,500.69
Total				10,287,337,866.54

		31 December 2021		
		Amount in original currency	*Exchange rate*	*Amount in RMB*
Trading margin				7,313,545,278.74
Including:	RMB	7,200,720,000.25	1.00000	7,200,720,000.25
	USD	15,123,292.86	6.37570	96,421,578.30
	HKD	20,063,234.09	0.81760	16,403,700.19
Credit deposits				60,317,466.56
Including:	RMB	60,317,466.56	1.00000	60,317,466.56
Performance deposits				1,807,313,274.42
Including:	RMB	1,795,123,490.97	1.00000	1,795,123,490.97
	HKD	14,909,226.33	0.81760	12,189,783.45
Total				9,181,176,019.72

(3) Refundable deposits with restricted usage under the refinancing agreement

As at 31 December 2022, the Group's refundable deposits as the collaterals under the refinancing agreement amounted to RMB31,834,300.90 (31 December 2021: RMB72,157,311.35).

6 Accounts receivable

(1) By detail

	31 December 2022	*31 December 2021*
Settlement receivable	733,026,613.28	667,376,683.85
Fee and commission receivable	1,009,209,919.02	1,041,084,931.25
Others	397,430.00	597,413.43
Sub-total	1,742,633,962.30	1,709,059,028.53
Less: Provision for bad and doubtful debts (provision made using a simplified model)	(23,102,667.32)	(17,677,193.49)
Total	1,719,531,294.98	1,691,381,835.04

(2) By ageing

	31 December 2022			
	Book value		*Provision for bad and doubtful debts*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year	1,649,811,541.40	94.67	2,958,209.87	0.18
1 - 2 years	47,900,160.34	2.75	4,703,709.47	9.82
2 - 3 years	26,506,159.96	1.52	5,290,352.18	19.96
Over 3 years	18,416,100.60	1.06	10,150,395.80	55.12
Total	1,742,633,962.30	100.00	23,102,667.32	1.33

	31 December 2021			
	Book value		*Provision for bad and doubtful debts*	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Within 1 year	1,641,508,319.16	96.05	2,224,644.52	0.14
1 - 2 years	37,849,599.63	2.21	4,646,461.91	12.28
2 - 3 years	16,561,774.77	0.97	3,312,354.95	20.00
Over 3 years	13,139,334.97	0.77	7,493,732.11	57.03
Total	1,709,059,028.53	100.00	17,677,193.49	1.03

The ageing is counted starting from the date when receivables are recognised.

(3) By impairment assessment method

	31 December 2022			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	133,990.50	0.01	133,990.50	100.00
Collective assessment	1,742,499,971.80	99.99	22,968,676.82	1.32
Total	1,742,633,962.30	100.00	23,102,667.32	1.33

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	1,828,810.83	0.11	1,221,462.75	66.79
Collective assessment	1,707,230,217.70	99.89	16,455,730.74	0.96
Total	1,709,059,028.53	100.00	17,677,193.49	1.03

(4) Additions, recoveries or reversals of provision for bad and doubtful debts during the year

(a) Movements of provision for bad and doubtful debts for the year

Please see Note VI.20.

(b) Significant recoveries or reversals during the year

The Group has no significant recoveries or reversals during the year.

(c) Significant receivables written off during the year

The Group has no significant receivables written off during the year.

(5) Five largest accounts receivable

	31 December 2022			
	Nature	*Amount*	*Ageing*	*Percentage of total receivables (%)*
Zhe Shang Securities Co,Ltd.	Settlement receivable	173,018,082.28	Within 1 year	9.93
Hong Kong Securities Clearing Company Limited	Settlement receivable	148,262,060.41	Within 1 year	8.51
Marex Hong Kong Limited	Settlement receivable	73,300,402.16	Within 1 year	4.21
Hong Kong Futures Clearing Company Limited	Settlement receivable	53,733,468.46	Within 1 year	3.08
Xingquan Tianlibao Fund (兴全添利宝基金)	Product management fees receivable	44,251,544.35	Within 1 year	2.54
Total		492,565,557.66		28.27

	31 December 2021			
	Nature	*Amount*	*Ageing*	*Percentage of total receivables (%)*
Hong Kong Securities Clearing Company Limited	Settlement receivable	124,562,505.58	Within 1 year	7.29
Marex Hong Kong Limited	Settlement receivable	85,170,059.51	Within 1 year	4.98
Phillip Securities (Hong Kong) Limited	Settlement receivable	65,756,264.61	Within 1 year	3.85
China Construction Bank (Asia) Corporation Limited	Settlement receivable	63,892,691.13	Within 1 year	3.74
Xingquan Herun Fund (兴全合润基金)	Product management fees receivable	41,361,892.64	Within 1 year	2.42
Total		380,743,413.47		22.28

7 Financial assets held under resale agreements

(1) By types of underlying assets financial assets held under resale agreements

	31 December 2022	*31 December 2021*
Stocks	1,916,496,634.75	2,645,003,081.75
Bonds	8,038,264,425.15	3,978,854,930.52
Equities	83,266,646.45	73,846,413.15
Sub-total	10,038,027,706.35	6,697,704,425.42
Less: Provision for impairment	(29,659,695.78)	(26,039,498.48)
Total	10,008,368,010.57	6,671,664,926.94

(2) By class of business financial assets held under resale agreements

	Note	*31 December 2022*	*31 December 2021*
Stock-pledged financing	(a)	1,916,496,634.75	2,645,003,081.75
Bonds-backed lending repurchase		8,038,264,425.15	3,880,115,437.91
Other repurchase		83,266,646.45	172,585,905.76
Sub-total		10,038,027,706.35	6,697,704,425.42
Less: Provision for impairment		(29,659,695.78)	(26,039,498.48)
Total		10,008,368,010.57	6,671,664,926.94

(a) Remaining maturity and balance of bonds-backed lending repurchase of financial assets held under resale agreements are analyzed as followsfinancial assets held under resale agreements:

	31 December 2022	*31 December 2021*
Within 1 month	206,060,497.83	402,111,849.21
1 - 3 months	135,775,983.30	509,826,279.23
3 months - 1 year	1,295,017,854.37	1,367,298,953.30
Over 1 years	279,642,299.25	365,766,000.01
Sub-total	1,916,496,634.75	2,645,003,081.75
Less: Provision for impairment	(29,419,964.82)	(25,761,287.47)
Total	1,887,076,669.93	2,619,241,794.28

(3) Collaterals

	31 December 2022	*31 December 2021*
Collaterals	12,529,706,458.72	11,175,734,368.74
Including: Available-for-sale or repledged collaterals	-	-
Including: Sold or repledged collaterals	-	-

Note: For treasury bond reverse repurchase transactions operated by the exchange, because it is the full value of the collateral automatically calculated and merged by the exchange, information of counter party's pledge database cannot be obtained. Therefore, the amount could not be disclosed, and fair value of the collateral assets obtained by the exchange's treasury bond reverse repurchase is not included in this amount. As at 31 December 2022, the financial assets held under resale agreements guaranteed was RMB1,483,847,957.10 (31 December 2021: RMB1,079,133,070.59).

(4) Additions, recoveries or reversals of provision for impairment during the year

(a) Movements of provisions for impairment for the year

Please see Note VI.20.

(b) Significant recoveries or reversals during the year

Please see Note VI.20.

(c) Significant financial assets held under resale agreements for the year

The Group has no significant financial assets held under resale agreements written off during the year.

(5) By impairment assessment method

	31 December 2022			
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Book value	1,519,052,994.10	268,468,617.28	128,975,023.37	1,916,496,634.75
Provision for impairment	(9,124,281.78)	(2,032,275.32)	(18,263,407.72)	(29,419,964.82)
Carrying amount	1,509,928,712.32	266,436,341.96	110,711,615.65	1,887,076,669.93
Value of collaterals	4,577,319,901.31	389,748,979.80	180,937,157.08	5,148,006,038.19

	31 December 2021			
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Book value	2,336,108,232.52	-	308,894,849.23	2,645,003,081.75
Provision for impairment	(15,051,818.77)	-	(10,709,468.70)	(25,761,287.47)
Carrying amount	2,321,056,413.75	-	298,185,380.53	2,619,241,794.28
Value of collaterals	6,801,402,259.12	-	968,144,581.76	7,769,546,840.88

8 Financial assets held for trading

(1) By category

	31 December 2022					
	Fair value			Initial investment cost		
	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value
Bonds	27,932,562,457.03	-	27,932,562,457.03	27,652,331,154.10	-	27,652,331,154.10
Public offering funds	17,481,232,118.14	-	17,481,232,118.14	17,655,460,680.70	-	17,655,460,680.70
Stocks	5,809,655,393.92	-	5,809,655,393.92	6,100,091,360.91	-	6,100,091,360.91
Wealth management products issued by banks	126,551,028.69	-	126,551,028.69	126,541,983.69	-	126,541,983.69
Asset management products issued by securities firms	640,614,235.94	-	640,614,235.94	639,624,424.44	-	639,624,424.44
Trust schemes	164,959,767.25	-	164,959,767.25	159,629,683.04	-	159,629,683.04
Others	10,471,573,845.70	-	10,471,573,845.70	8,692,557,386.29	-	8,692,557,386.29
Total	62,627,148,846.67	-	62,627,148,846.67	61,026,236,673.17	-	61,026,236,673.17

	31 December 2021					
	Fair value			Initial investment cost		
	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value
Bonds	28,370,903,940.37	-	28,370,903,940.37	28,081,089,261.99	-	28,081,089,261.99
Public offering funds	13,077,042,767.93	-	13,077,042,767.93	12,814,895,261.62	-	12,814,895,261.62
Stocks	11,160,909,053.43	-	11,160,909,053.43	10,863,105,563.68	-	10,863,105,563.68
Wealth management products issued by banks	340,652,849.60	-	340,652,849.60	339,659,195.69	-	339,659,195.69
Asset management products issued by securities firms	532,646,123.75	-	532,646,123.75	531,432,194.34	-	531,432,194.34
Trust schemes	206,521,418.91	-	206,521,418.91	202,415,522.16	-	202,415,522.16
Others	6,413,285,416.21	-	6,413,285,416.21	5,249,105,211.02	-	5,249,105,211.02
Total	60,101,961,570.20	-	60,101,961,570.20	58,081,702,210.50	-	58,081,702,210.50

(2) Securities lent in financial assets held for trading

The balance of the Group's financial assets held for trading includes the securities lending, please see Note VI.12 for further details.

(3) Financial assets held for trading with realisation restrictions

	Restrictions	31 December 2022
Bonds	Repurchase agreement business as collaterals	15,489,362,613.84
Bonds	Bond loans as collaterals	547,542,972.00
Stocks	With restrictions on sales term	922,921,121.93
Funds	With restrictions on sales term	420,703,658.58
Stocks	Securities lent	234,012,616.18
Funds	Funds lent	120,900,789.82
Asset management products issued by securities firms	Collective asset management plans subscribed as the manager	109,111,411.12
Bonds	Futures margin collaterals	101,759,000.00
Asset management products	Quoted repurchase agreement business as collaterals	1,583,925,097.11

	Restrictions	31 December 2021
Bonds	Repurchase agreement business as collaterals	22,203,076,787.94
Bonds	Bond loans as collaterals	173,537,540.00
Stocks	With restrictions on sales term	1,058,543,966.60
Funds	With restrictions on sales term	273,743,026.20
Stocks	Securities lent	367,895,850.70
Funds	Funds lent	219,086,391.60
Asset management products issued by securities firms	Collective asset management plans subscribed as the manager	58,520,032.27
Bonds	Securities from margin refinancing deposits	81,146,739.73
Asset management products	Quoted repurchase agreement business as collaterals	807,741,075.44

9 Debt investments

(1) By category

	31 December 2022			
	Initial cost	Interest	Accumulated provision for impairment	Carrying amount
Local government bonds	1,988,075,050.34	33,848,520.00	(266,203.57)	2,021,657,366.77
Enterprise bonds	37,100,274.70	530,332.15	(17,439.61)	37,613,167.24
Medium-term bills	151,725,628.44	2,744,492.53	(71,370.13)	154,398,750.84
Total	2,176,900,953.48	37,123,344.68	(355,013.31)	2,213,669,284.85

(2) Movements of provisions for impairment of debt investments

Please see Note VI.20 for movements of provisions for impairment of debt investments for the year.

(3) Debt investments with realisation restrictions

	Restrictions	31 December 2022
Bonds	Repurchase agreement business as collaterals	2,205,859,799.09

10 Other debt investments

(1) By category

	31 December 2022				
	Initial cost	*Interest*	*Movements in fair value*	*Carrying amount*	*Accumulated provision for impairment*
Local government bonds	11,794,823,361.00	91,532,635.20	(54,235,138.51)	11,832,120,857.69	(1,656,864.48)
Financial bonds	490,000,000.00	11,130,460.00	8,364,000.00	509,494,460.00	(262,644.77)
Enterprise bonds	13,966,234,697.26	353,785,443.36	158,012,932.71	14,478,033,073.33	(6,962,440.27)
Medium-term bills	372,364,477.86	11,436,496.82	(734,715.00)	383,066,259.68	(195,025.86)
Corporate bonds	1,183,291,716.72	29,374,548.00	15,556,113.28	1,228,222,378.00	(221,412.17)
Total	27,806,714,252.84	497,259,583.38	126,963,192.48	28,430,937,028.70	(9,298,387.55)

	31 December 2021				
	Initial cost	*Interest*	*Movements in fair value*	*Carrying amount*	*Accumulated provision for impairment*
Local government bonds	2,455,080,383.93	40,329,904.79	21,632,336.07	2,517,042,624.79	(382,137.90)
Financial bonds	520,000,000.00	12,168,947.94	5,885,000.00	538,053,947.94	(322,230.42)
Enterprise bonds	16,229,173,396.93	411,238,411.91	315,775,423.07	16,956,187,231.91	(9,638,622.97)
Medium-term bills	481,819,152.84	14,650,460.00	25,224,597.16	521,694,210.00	(227,973.32)
Corporate bonds	1,545,696,658.96	35,950,140.31	18,234,941.04	1,599,881,740.31	(318,548.34)
Total	21,231,769,592.66	514,337,864.95	386,752,297.34	22,132,859,754.95	(10,889,512.95)

(2) Other debt investments with realisation restrictions

	Restrictions	*31 December 2022*
Bonds	Repurchase agreement business as collaterals	20,077,542,381.49
Bonds	Bond loans as collaterals	258,989,108.00

	Restrictions	*31 December 2021*
Bonds	Repurchase agreement business as collaterals	16,056,887,254.92
Bonds	Bond loans as collaterals	1,134,258,090.00

For the Group’s securities lending business, see Note XII.3.

11 Investments in other equity instruments

	31 December 2022		*31 December 2021*	
	Initial cost	*Fair value at the end of the year*	*Initial cost*	*Fair value at the end of the year*
Equity instruments not held for trading	1,583,318,184.01	1,550,617,647.11	-	-

As at 31 December 2022, the Group designated some perpetual bond investments as investments in other equity instruments.

(1) Investments in other equity instruments with realisation restrictions

	Restrictions	*31 December 2022*
Bonds	Repurchase agreement business as collaterals	1,140,242,139.14

12 Securities lending

(1) By item

	31 December 2022	*31 December 2021*
Securities from margin refinancing	96,019,299.30	468,638,983.86
Financial assets held for trading	354,913,406.00	586,982,242.30
Total securities lent	450,932,705.30	1,055,621,226.16
Total securities from margin refinancing	111,538,200.00	608,247,334.00

(2) Defaults of securities lending business

As at 31 December 2022 and 31 December 2021, the Group’s securities lending business had no material default.

13 Long-term equity investments

(1) By category

	31 December 2022	*31 December 2021*
Investments in joint ventures	1,023,211,890.14	1,018,045,257.62
Investments in associates	3,842,138,405.08	3,710,836,052.22
Sub-total	4,865,350,295.22	4,728,881,309.84
Less: Provision for impairment	-	-
Total	4,865,350,295.22	4,728,881,309.84

(2) Movements of long-term equity investments during the year are as follows:

		Movements during 2022									
Investee	*Balance at the beginning of the year*	*Increase in investments*	*Decrease in investments*	*Investment income recognised under equity method*	*Other comprehensive income*	*Other equity movements*	*Declared distribution of cash dividends or profits*	*Provision for impairment*	*Others*	*Balance at the end of the year*	*Balance of provision for impairment at the end of the year*
Joint ventures (Note 1)											
Fujian Private Economy New Dynamic Equity Investment Partnership (Limited Partnership) (Note 3)	1,004,860,696.39	-	-	18,351,193.75	-	-	-	-	-	1,023,211,890.14	-
CIS New China Ever- Growing Fund SP (Note 4)	13,184,561.23	-	-	-	-	-	-	-	(13,184,561.23)	-	-
Sub-total	1,018,045,257.62	-	-	18,351,193.75	-	-	-	-	(13,184,561.23)	1,023,211,890.14	-
Associates											
Fujian Yitong Investment Co., Ltd.	748,137,887.74	-	-	(552,544.64)	-	-	-	-	-	747,585,343.10	-
Eergu'na Chengcheng Mining Co., Ltd. (Note 5)	2,550,000,000.00	-	-	115,663,459.46	(28,745,209.54)	-	-	-	-	2,636,918,249.92	-
Haixia Equity Exchange (Fujian) Co., Ltd.	89,015,226.76	31,100,000.00	-	5,593,159.47	-	-	-	-	-	125,708,386.23	-
Fujian Funeng Industrial Equity Investment Management Co., Ltd.	77,056,528.66	-	-	7,601,081.06	-	-	-	-	-	84,657,609.72	-
Beijing Increasepharm Corporation Limited	151,443,195.75	-	-	(16,795,926.98)	-	1,470,245.58	-	-	-	136,117,514.35	-
Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership) (Note 2)	607,094.30	-	(8,582.37)	(152,336.51)	-	-	-	-	-	446,175.42	-
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership) (Note 2)	2,420,110.34	-	-	(308,712.48)	-	-	-	-	-	2,111,397.86	-
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership) (Note 2)	637,600.32	-	-	(82,262.43)	-	-	-	-	-	555,337.89	-
Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership) (Note 2)	1.67	-	-	0.10	-	-	-	-	-	1.77	-
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership) (Note 2)	0.01	-	-	-	-	-	-	-	-	0.01	-
Shanghai Yiyue Enterprise Management Partnership (Limited Partnership) (Note 2)	31,036,893.90	13,000,000.00	-	(9,764.77)	-	-	-	-	-	44,027,129.13	-
Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) (Note 2)	60,481,512.77	-	-	3,529,746.91	-	-	-	-	-	64,011,259.68	-
Sub-total	3,710,836,052.22	44,100,000.00	(8,582.37)	114,485,899.19	(28,745,209.54)	1,470,245.58	-	-	-	3,842,138,405.08	-
Total	4,728,881,309.84	44,100,000.00	(8,582.37)	132,837,092.94	(28,745,209.54)	1,470,245.58	-	-	(13,184,561.23)	4,865,350,295.22	-

Investee	Balance at the beginning of the year	Movements during 2021: Increase in investments	Decrease in investments	Investment income recognised under equity method	Other comprehensive income	Other equity movements	Declared distribution of cash dividends or profits	Provision for impairment	Others	Balance at the end of the year	Balance of provision for impairment at the end of the year
Joint ventures (Note 1)											
Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership) (Note 3)	1,211,253,053.78	-	(267,091,225.51)	60,698,868.12	-	-	-	-	-	1,004,860,696.39	-
CIS New China Ever- Growing Fund SP (Note 4)	30,455,757.55	-	-	(16,536,711.58)	-	-	-	-	(734,484.74)	13,184,561.23	-
Sub-total	1,241,708,811.33	-	(267,091,225.51)	44,162,156.54	-	-	-	-	(734,484.74)	1,018,045,257.62	-
Associates											
Fujian Yitong Investment Co., Ltd.	750,000,000.00	-	-	(1,862,112.26)	-	-	-	-	-	748,137,887.74	-
Eergu'na Chengcheng Mining Co., Ltd. (Note 5)	-	2,550,000,000.00	-	-	-	-	-	-	-	2,550,000,000.00	-
Haixia Equity Exchange (Fujian) Co., Ltd.	40,223,871.67	46,569,449.11	-	2,221,905.98	-	-	-	-	-	89,015,226.76	-
Fujian Funeng Industrial Equity Investment Management Co., Ltd.	76,202,349.52	-	-	8,204,179.14	-	-	(7,350,000.00)	-	-	77,056,528.66	-
Fujian Pien Tze Huang Medical Equipment Technology Co., Ltd.	3,363,704.02	-	(2,980,599.48)	(383,104.54)	-	-	-	-	-	-	-
Beijing Increasepharm Corporation Limited	156,313,880.08	-	-	(4,870,684.33)	-	-	-	-	-	151,443,195.75	-
Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership) (Note 2)	1,456,213.32	634,365.72	(970,498.08)	(512,986.66)	-	-	-	-	-	607,094.30	-
Ningbo Xingfu Zhiyuan Equity Investment Partnership (Limited Partnership) (Note 2)	441,090.35	-	-	(441,090.35)	-	-	-	-	-	-	-
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership) (Note 2)	3,392,682.46	-	(408,636.31)	(563,935.81)	-	-	-	-	-	2,420,110.34	-
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership) (Note 2)	892,890.52	-	(107,750.51)	(147,539.69)	-	-	-	-	-	637,600.32	-
Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership) (Note 2)	1.14	-	(0.10)	0.63	-	-	-	-	-	1.67	-
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership) (Note 2)	0.64	-	(0.34)	5,688,542.30	-	-	(5,688,542.59)	-	-	0.01	-
Shanghai Yiyue Enterprise Management Partnership (Limited Partnership) (Note 2)	-	31,000,000.00	-	36,893.90	-	-	-	-	-	31,036,893.90	-
Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) (Note 2)	59,956,201.86	-	-	525,310.91	-	-	-	-	-	60,481,512.77	-
Sub-total	1,092,242,885.58	2,628,203,814.83	(4,467,484.82)	7,895,379.22	-	-	(13,038,542.59)	-	-	3,710,836,052.22	-
Total	2,333,951,696.91	2,628,203,814.83	(271,558,710.33)	52,057,535.76	-	-	(13,038,542.59)	-	(734,484.74)	4,728,881,309.84	-

Note 1: Under the partnership agreement or the fund agreement, the Group, as the general partner or fund manager, manages the partnership or fund jointly with another general partner or fund manager and is able to exercise joint control over the partnership or fund, and therefore the Group accounts for the partnership or fund as a joint venture under the equity method.

Note 2: Based on the partnership agreement, the Group has significant influence over Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership), Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership), Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) and Shanghai Yiyue Enterprise Management Partnership (Limited Partnership), therefore, the Group accounts for these partnerships as associates under the equity method.

Note 3: Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership) has been renamed as Fujian Private Economy New Dynamic Equity Investment Partnership (Limited Partnership) in September 2022.

Note 4: From 1 January 2022, the proportion of voting rights held by the Group in CIS New China Ever-Growing Fund SP increases to 100% (2021: 50%) and the Group has the right to make decisions on the operation of CIS New China Ever-Growing Fund SP and has control over it from 1 January 2022 onwards and ceases to be a joint venture of the Group.

Note 5: The Group entered into a share swap agreement with other parties in March 2023 in relation to the shares held in Eergu'na Chengcheng Mining Co., Ltd.

14 Investment properties

Investment properties measured at cost

	Plant and buildings
Cost	
Balance at the beginning of the year	20,424,873.55
Additions during the year	-
Decrease during the year	-
Balance at the end of the year	20,424,873.55
Less: Accumulated depreciation	
Balance at the beginning of the year	(10,099,397.28)
Additions during the year	(560,147.76)
Decrease during the year	-
Balance at the end of the year	(10,659,545.04)
Provision for impairment	
Balance at the beginning of the year	-
Charge for the year	-
Decrease during the year	-
Balance at the end of the year	-
Carrying amount	
At the end of the year	9,765,328.51
At the beginning of the year	10,325,476.27

No provision for impairment is required for investment properties as at 31 December 2022 and 31 December 2021.

As at 31 December 2022 and 31 December 2021, the Group had no material investment properties pending certificates of ownership.

15 Fixed assets

(1) Carrying amount

	31 December 2022	*31 December 2021*
Cost of fixed assets	1,713,857,357.54	1,504,602,521.12
Less: Accumulated depreciation	(842,682,127.08)	(695,225,030.02)
Provision for impairment of fixed assets	(9,708,911.20)	(9,708,911.20)
Total	861,466,319.26	799,668,579.90

(2) Changes of fixed assets

	Plant and buildings	*Machinery and equipment*	*Motor vehicles*	*Other equipment*	*Total*
Cost					
Balance at the beginning of the year	838,686,000.96	619,871,963.40	30,989,760.54	15,054,796.22	1,504,602,521.12
Additions during the year	17,488,008.91	201,102,732.41	369,814.16	793,029.13	219,753,584.61
- Purchase	13,135,486.34	200,224,752.97	369,814.16	793,029.13	214,523,082.60
- Transfer from construction in progress	4,352,522.57	877,979.44	-	-	5,230,502.01
Disposal or retirement during the year	-	(12,417,181.48)	(721,311.00)	(441,131.35)	(13,579,623.83)
Exchange differences	-	2,745,452.91	119,705.37	215,717.36	3,080,875.64
Balance at the end of the year	856,174,009.87	811,302,967.24	30,757,969.07	15,622,411.36	1,713,857,357.54
Less: Accumulated depreciation					
Balance at the beginning of the year	(278,051,894.87)	(389,291,663.47)	(16,668,896.60)	(11,212,575.08)	(695,225,030.02)
Charge for the year	(23,874,837.97)	(129,724,697.24)	(3,085,180.09)	(1,190,719.81)	(157,875,435.11)
Disposal or retirement during the year	-	11,869,505.35	685,245.45	414,004.94	12,968,755.74
Exchange differences	-	(2,331,077.08)	(84,395.89)	(134,944.72)	(2,550,417.69)
Balance at the end of the year	(301,926,732.84)	(509,477,932.44)	(19,153,227.13)	(12,124,234.67)	(842,682,127.08)
Provision for impairment					
Balance at the beginning of the year	(9,708,911.20)	-	-	-	(9,708,911.20)
Balance at the end of the year	(9,708,911.20)	-	-	-	(9,708,911.20)
Carrying amount					
At the end of the year	544,538,365.83	301,825,034.80	11,604,741.94	3,498,176.69	861,466,319.26
At the beginning of the year	550,925,194.89	230,580,299.93	14,320,863.94	3,842,221.14	799,668,579.90

(3) Temporarily idle fixed assets

As at 31 December 2022 and 31 December 2021, the Group had no temporarily idle significant fixed assets.

(4) Fixed assets leased out under operating leases

As at 31 December 2022 and 31 December 2021, the Group had no significant fixed assets leased out under operating leases.

(5) Fixed assets pending certificates of ownership

As at 31 December 2022 and 31 December 2021, the Group had no significant fixed assets pending certificates of ownership.

16 Intangible assets

Changes of intangible assets

	Securities trading seat rights	*Software*	*Total*
Cost			
Balance at the beginning of the year	20,287,174.17	902,495,799.80	922,782,973.97
Additions during the year	-	293,888,607.58	293,888,607.58
Decrease during the year	-	(16,569,400.02)	(16,569,400.02)
Exchange differences	75,670.00	1,617,553.76	1,693,223.76
Balance at the end of the year	20,362,844.17	1,181,432,561.12	1,201,795,405.29
Less: Accumulated amortisation			
Balance at the beginning of the year	(19,024,740.89)	(541,324,185.55)	(560,348,926.44)
Charge for the year	(157,999.98)	(223,737,675.00)	(223,895,674.98)
Decrease during the year	-	16,506,621.27	16,506,621.27
Exchange differences	-	(1,281,605.27)	(1,281,605.27)
Balance at the end of the year	(19,182,740.87)	(749,836,844.55)	(769,019,585.42)
Carrying amount			
At the end of the year	1,180,103.30	431,595,716.57	432,775,819.87
At the beginning of the year	1,262,433.28	361,171,614.25	362,434,047.53

As at 31 December 2022 and 31 December 2021, none of the Group's significant intangible assets were used for mortgage or guarantee.

As at 31 December 2022 and 31 December 2021, the Group and the Company considered no provision for impairment of intangible assets was necessary.

17 Goodwill

	31 December 2022 and 31 December 2021 RMB
Goodwill of Aegon-Industrial Fund	1,317,291.24
Goodwill of Industrial Securities Futures	10,946,858.54
Sub-total	12,264,149.78
Less: Provision for impairment	-
Total	12,264,149.78

Note: There was no impairment due to business combinations involving entities not under common control.

18 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Deferred tax assets before offsetting

	31 December 2022		*31 December 2021*	
Item	*Deductible temporary differences*	*Deferred tax assets*	*Deductible temporary differences*	*Deferred tax assets*
Provision for impairment of assets	896,190,953.13	223,708,280.73	902,899,382.78	225,316,879.02
Movements in fair value	1,004,093,687.84	251,023,421.97	446,084,659.54	111,521,164.90
Charged but unpaid wages and bonuses	4,900,529,278.02	1,225,039,970.02	6,037,143,735.90	1,507,738,394.31
Deductible tax losses	962,808,302.94	180,231,575.65	622,350,876.48	102,687,894.62
Others	223,765,073.15	54,932,782.25	91,477,116.15	22,224,477.46
Sub-total	7,987,387,295.08	1,934,936,030.62	8,099,955,770.85	1,969,488,810.31
Amount offset	(3,788,461,228.40)	(946,713,482.13)	(3,295,790,738.79)	(819,748,875.78)
Balance after offsetting	4,198,926,066.68	988,222,548.49	4,804,165,032.06	1,149,739,934.53

Deferred tax liabilities before offsetting

Item	31 December 2022 Taxable temporary differences	31 December 2022 Deferred tax liabilities	31 December 2021 Taxable temporary differences	31 December 2021 Deferred tax liabilities
Movements in fair value	(4,271,467,607.35)	(1,067,866,901.84)	(4,095,949,090.38)	(1,020,033,133.00)
Others	(178,769,814.76)	(44,283,351.60)	(90,664,078.39)	(22,413,445.84)
Sub-total	(4,450,237,422.11)	(1,112,150,253.44)	(4,186,613,168.77)	(1,042,446,578.84)
Amount offset	3,788,461,228.40	946,713,482.13	3,295,790,738.79	819,748,875.78
Balance after offsetting	(661,776,193.71)	(165,436,771.31)	(890,822,429.98)	(222,697,703.06)

(2) Net deferred tax assets or liabilities after offsetting

Item	31 December 2022 Offsetting amount of deferred tax assets and liabilities	31 December 2022 Balances of deferred tax assets or liabilities after offsetting	31 December 2021 Offsetting amount of deferred tax assets and liabilities	31 December 2021 Balances of deferred tax assets or liabilities after offsetting
Deferred tax assets	(946,713,482.13)	988,222,548.49	(819,748,875.78)	1,149,739,934.53
Deferred tax liabilities	946,713,482.13	(165,436,771.31)	819,748,875.78	(222,697,703.06)

(3) Details of unrecognised deferred tax assets

	31 December 2022	31 December 2021
Deductible tax losses	607,397,805.23	501,254,234.71
Unrecognized temporary differences	180,645,691.96	-
Total	788,043,497.19	501,254,234.71

(4) Expiration of deductible tax losses for unrecognised deferred tax assets

According to existing tax regulations in relevant region, there is no expiration of deductible tax losses for unrecognised deferred tax assets.

19 Other assets

	Note	31 December 2022	31 December 2021
Other receivables	(1)	958,102,821.87	912,965,847.00
Prepayments		143,921,996.24	106,217,606.18
Inventory of bulk commodity trading		141,510,813.55	195,232,172.02
Input tax to be credited		111,516,205.86	155,051,372.86
Long-term deferred expenses	(2)	86,444,044.21	97,819,145.03
Deferred expenses		62,593,394.93	59,317,891.99
Interests receivable		13,787,595.18	9,397,315.35
Dividends receivable		3,192,917.88	24,604,419.54
Others		9,869,358.75	10,260,355.02
Total		1,530,939,148.47	1,570,866,124.99

(1) Other receivables

(a) By detail

	31 December 2022	31 December 2021
Balance of other receivables	1,722,790,406.71	1,655,830,460.37
Less: Provision for bad and doubtful debts	(764,687,584.84)	(742,864,613.37)
Other net receivables	958,102,821.87	912,965,847.00

(b) By ageing

	31 December 2022			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	851,208,129.79	49.41	3,590,933.05	0.42
1 - 2 years	624,845,786.38	36.27	573,610,904.10	91.80
2 - 3 years	146,078,808.40	8.48	131,733,721.62	90.18
Over 3 years	100,657,682.14	5.84	55,752,026.07	55.39
Total	1,722,790,406.71	100.00	764,687,584.84	44.39

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,407,440,581.16	85.00	568,059,564.59	40.36
1 - 2 years	147,374,155.90	8.90	118,782,095.71	80.60
2 - 3 years	270,996.54	0.02	54,199.31	20.00
Over 3 years	100,744,726.77	6.08	55,968,753.76	55.56
Total	1,655,830,460.37	100.00	742,864,613.37	44.86

The ageing is counted starting from the date when other receivables are recognised.

(c) By assessment method for bad and doubtful debts

	31 December 2022			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	866,133,797.95	50.28	760,012,818.78	87.75
Collective assessment	856,656,608.76	49.72	4,674,766.06	0.55
Total	1,722,790,406.71	100.00	764,687,584.84	44.39

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	867,142,074.90	52.37	739,348,318.01	85.26
Collective assessment	788,688,385.47	47.63	3,516,295.36	0.45
Total	1,655,830,460.37	100.00	742,864,613.37	44.86

(d) Recoveries or reversals of provision for bad and doubtful debts during the year:

For analysis of the movements of provisions for bad and doubtful debts of other receivables for the year, see Note VI.20.

(e) Five largest other receivables by debtor at the end of the year

	Nature	Amount	Ageing	Percentage of total other receivables (%)
Employee deferred performance investments	Advances	708,747,427.47	Within 1 year	41.14
Zhang Minghao	Stock pledge receivable Repurchase payments for business termination	557,363,648.85	1 -2 years	32.35
Zhuhai Zhongzhu Group Co., Ltd.	Stock pledge receivable Repurchase payments for business termination	143,537,351.47	2 -3 years	8.33
Employee venture capital investments	Advances	103,633,208.84	Within 1 year	6.02
Beijing Wonderful Infinite Audio Video Co., Ltd	Debt receivable	100,001,570.00	Over 3 years	5.80
Total		1,613,283,206.63		93.64

(f) Receivables from related parties

As at 31 December 2022, there were no receivables from shareholders who hold more than 5% (inclusive) of the shares of the Company among the other receivables.

(2) Long-term deferred expenses

	Balance at 1 January 2022	*Purchase for the year*	*Amortisation for the year*	*Exchange differences*	*Balance at 31 December 2022*
Leasehold improvements	91,958,144.64	27,706,852.51	(43,955,615.00)	868,747.00	76,578,129.15
Others	5,861,000.39	11,889,335.02	(7,884,420.35)	-	9,865,915.06
Total	97,819,145.03	39,596,187.53	(51,840,035.35)	868,747.00	86,444,044.21

	Balance at 1 January 2021	*Purchase for the year*	*Amortisation for the year*	*Exchange differences*	*Balance at 31 December 2021*
Leasehold improvements	68,300,759.29	60,296,998.29	(36,601,390.45)	(38,222.49)	91,958,144.64
Others	8,996,368.73	5,887,610.22	(9,022,978.56)	-	5,861,000.39
Total	77,297,128.02	66,184,608.51	(45,624,369.01)	(38,222.49)	97,819,145.03

20 Provision for impairment of assets

As at 31 December 2022 and 31 December 2021, the provisions for impairment of the Group are set out as follows:

	Note	*Balance at 31 December 2021*	*Additions during the year*	*Decrease during the year*		*Translation differences arising from translation of foreign currency financial statements*	*Balance at 31 December 2022*
				Reversal	*Written-off*		
Provision for impairment of cash at bank and on hand	VI.1	670,668.24	11,838.77	-	-	32,508.18	715,015.19
Provision for impairment of margin accounts	VI.3	772,588,992.36	71,340,724.91	(31,034,664.87)	(133,621.18)	65,895,153.83	878,656,585.05
Provision for bad and doubtful debts of receivables	VI.6	17,677,193.49	6,120,710.72	(642,631.39)	(183,001.47)	130,395.97	23,102,667.32
Provisions for impairment of financial assets held under resale agreements	VI.7	26,039,498.48	3,658,677.35	(66,056.63)	-	27,576.58	29,659,695.78
Provision for impairment of debt investments	VI.9	-	354,726.85	-	-	286.46	355,013.31
Provision for impairment of other debt investments	VI.10	10,889,512.95	388,422.17	-	(1,982,767.08)	3,219.51	9,298,387.55
Provision for impairment of other financial assets (Note)		744,847,836.09	24,204,273.88	(597,160.35)	(356,410.74)	-	768,098,538.88
Sub-total of provision for credit losses of financial instruments		1,572,713,701.61	106,079,374.65	(32,340,513.24)	(2,655,800.47)	66,089,140.53	1,709,885,903.08
Provision for impairment of fixed assets	VI.15	9,708,911.20	-	-	-	-	9,708,911.20
Provision for impairment of other assets		5,925,065.97	-	(5,925,065.97)	-	-	-
Sub-total of provision for impairment of other assets		15,633,977.17	-	(5,925,065.97)	-	-	9,708,911.20
Total		1,588,347,678.78	106,079,374.65	(38,265,579.21)	(2,655,800.47)	66,089,140.53	1,719,594,814.28

	Note	*Balance at 31 December 2020*	*Additions during the year*	*Decrease during the year*		*Translation differences arising from translation of foreign currency financial statements*	*Balance at 31 December 2021*
				Reversal	*Written-off*		
Provision for impairment of cash at bank and on hand	VI.1	613,110.35	134,892.40	(65,832.54)	-	(11,501.97)	670,668.24
Provision for impairment of margin accounts	VI.3	749,434,701.15	80,794,437.48	(36,031,061.25)	-	(21,609,085.02)	772,588,992.36
Provision for bad and doubtful debts of receivables	VI.6	14,052,150.28	4,802,544.21	(1,134,711.51)	-	(42,789.49)	17,677,193.49
Provisions for impairment of financial assets held under resale agreements	VI.7	735,449,125.64	104,996.10	(54,553,528.42)	(654,955,959.50)	(5,135.34)	26,039,498.48
Provision for impairment of other debt investments	VI.10	61,809,405.74	4,413,515.61	-	(55,333,408.40)	-	10,889,512.95
Provision for impairment of other financial assets (Note)		195,725,484.38	662,211,178.82	(49,013,665.11)	(64,075,162.00)	-	744,847,836.09
Sub-total of provision for credit losses of financial instruments		1,757,083,977.54	752,461,564.62	(140,798,798.83)	(774,364,529.90)	(21,668,511.82)	1,572,713,701.61
Provision for impairment of fixed assets	VI.15	9,708,911.20	-	-	-	-	9,708,911.20
Provision for impairment of other assets		26,725,176.57	-	(20,800,110.60)	-	-	5,925,065.97
Sub-total of provision for impairment of other assets		36,434,087.77	-	(20,800,110.60)	-	-	15,633,977.17
Total		1,793,518,065.31	752,461,564.62	(161,598,909.43)	(774,364,529.90)	(21,668,511.82)	1,588,347,678.78

Note: As of 31 December 2022, there was no change from the provision for impairment of financial assets held under resale agreements to the provision for impairment of other financial assets during the year (2021: RMB654,955,959.50).

As at 31 December 2022, a summary of the Group's three stages of ECL is as follows:

		Balance 31 December 2022			
	Note	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Provision for impairment of cash at bank and on hand	VI.1	715,015.19	-	-	715,015.19
Provision for impairment of margin accounts	VI.3	29,173,012.24	1,768,927.22	847,714,645.59	878,656,585.05
Provision for bad and doubtful debts of receivables (simplified model)	VI.6	-	22,968,676.82	133,990.50	23,102,667.32
Provisions for impairment of financial assets held under resale agreements	VI.7	9,364,012.74	2,032,275.32	18,263,407.72	29,659,695.78
Provision for impairment of debt investments	VI.9	355,013.31	-	-	355,013.31
Provision for impairment of other debt investments	VI.10	9,150,522.32	147,865.23	-	9,298,387.55
Provision for impairment of other financial assets		136,741.07	7,948,979.03	760,012,818.78	768,098,538.88
Total		48,894,316.87	34,866,723.62	1,626,124,862.59	1,709,885,903.08

		Balance 31 December 2021			
	Note	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Provision for impairment of cash at bank and on hand	VI.1	670,668.24	-	-	670,668.24
Provision for impairment of margin accounts	VI.3	37,412,722.50	438,697.68	734,737,572.18	772,588,992.36
Provision for bad and doubtful debts of receivables (simplified model)	VI.6	-	16,455,730.74	1,221,462.75	17,677,193.49
Provisions for impairment of financial assets held under resale agreements	VI.7	15,330,029.78	-	10,709,468.70	26,039,498.48
Provision for impairment of other debt investments	VI.10	10,707,045.41	182,467.54	-	10,889,512.95
Provision for impairment of other financial assets		354,405.33	5,145,112.75	739,348,318.01	744,847,836.09
Total		64,474,871.26	22,222,008.71	1,486,016,821.64	1,572,713,701.61

21 Short-term loans

	31 December 2022	*31 December 2021*
Unsecured loans	894,080,331.23	433,448,118.55

As at 31 December 2022, the Group had no past due short-term loans.

22 Short-term financing payable

Debenture	*Face value* *Original currency*	*Date of value*	*Past due period*	*Issuance amount* *Original currency*	*Nominal interest rate*	*Book value at 1 January 2022 Amount in RMB equivalent*	*Additions during the year Amount in RMB equivalent*	*Decrease during the year Amount in RMB equivalent*	*Book value at 31 December 2022 Amount in RMB equivalent*
22 Industrial CP001	RMB100.00	19 August 2022	61 days	RMB500 million	1.58%	-	500,930,684.93	(500,930,684.93)	-
21 Industrial S2	RMB100.00	22 September 2021	210 days	RMB4.00 billion	2.68%	4,029,663,561.63	26,432,876.70	(4,056,096,438.33)	-
21 Industrial S3	RMB100.00	19 November 2021	270 days	RMB3.00 billion	2.69%	3,009,507,123.28	46,872,328.75	(3,056,379,452.03)	-
Structured notes (Note)						931,581,368.46	23,132,888,976.99	(19,323,269,476.82)	4,741,200,868.63
Total						7,970,752,053.37	23,707,124,867.37	(26,936,676,052.11)	4,741,200,868.63

Note: These are structured notes with a maturity of less than one year issued through the over-the-counter (OTC) market, with an aggregate face value of RMB23,092 million and a fixed yield ranging from 0.10% to 2.50% for the year.

23 Placements from banks and other financial institutions

By category

	Note	*31 December 2022*	*31 December 2021*
Placements from banks	(i)	2,964,717,544.48	1,500,411,111.12

(i) Analysis of the remaining maturity and interest rate of placements from banks

	31 December 2022		*31 December 2021*	
Remaining maturity	*Balance*	*Interest rate*	*Balance*	*Interest rate*
Within 3 months	2,964,717,544.48	1.70%-2.40%	1,500,411,111.12	2.25%-2.60%

24 Financial liabilities held for trading

(1) By category

		31 December 2022		
	Note	*Financial liabilities classified as measured at FVTPL*	*Financial liabilities designated at fair value through profit or loss*	*Total*
Bonds		564,854,827.88	-	564,854,827.88
Others				
- Interest of other shareholders in structured entities	(b)	-	2,102,631,305.77	2,102,631,305.77
- Structured notes		-	27,197,698.22	27,197,698.22
Total		564,854,827.88	2,129,829,003.99	2,694,683,831.87

		31 December 2021		
	Note	*Financial liabilities classified as measured at FVTPL*	*Financial liabilities designated at fair value through profit or loss*	*Total*
Stocks	(a)	9,001,776.00	-	9,001,776.00
Others				
- Interest of other shareholders in structured entities	(b)	-	1,934,948,587.27	1,934,948,587.27
- Structured notes		-	43,594,190.64	43,594,190.64
Total		9,001,776.00	1,978,542,777.91	1,987,544,553.91

(a) These are financial liabilities held for trading arising from the sale of borrowed stocks.

(b) As at 31 December 2022 and 31 December 2021, financial liabilities designated at fair value through profit or loss mainly represent the interests of other shareholders of asset management schemes or other limited partners of private equity funds in the consolidated structured entities. The underlying investments of the Group's structured entities included in the scope of consolidation are measured at fair value. Therefore, for the purpose of eliminating accounting mismatches, the Group designates the interests of other holders arising from the structured entities included in the scope of consolidation as financial liabilities at FVTPL.

25 Financial assets sold under repurchase agreements

(1) By category

	31 December 2022	*31 December 2021*
Bonds	29,091,301,343.13	29,792,410,379.95
Others	1,015,589,528.66	452,907,000.00
Total	30,106,890,871.79	30,245,317,379.95

(2) By business type

	31 December 2022	*31 December 2021*
Collateralised repurchase sold in the inter-bank market	15,144,826,736.82	13,012,038,804.62
Collateralised repurchase sold in the stock exchange	9,192,082,031.52	12,814,588,687.41
Collateralised quotation repurchase	4,020,488,135.39	2,807,920,000.00
Other collateralised repurchase	1,749,493,968.06	1,610,769,887.92
Total	30,106,890,871.79	30,245,317,379.95

(3) Information of collaterals

	31 December 2022	*31 December 2021*
Bonds	38,913,006,933.56	38,259,964,042.86
Including: Financial assets held for trading	15,489,362,613.84	22,203,076,787.94
Other debt investments	20,077,542,381.49	16,056,887,254.92
Debt investments	2,205,859,799.09	-
Investments in other equity instruments	1,140,242,139.14	-
Bond lending	-	2,040,987,630.00
Others	1,583,925,097.11	807,741,075.44
Total	40,496,932,030.67	41,108,692,748.30

(4) Quoted repurchase margin by the remaining maturity

	31 December 2022	*Interest rate range*	*31 December 2021*	*Interest rate range*
Within 1 month	3,202,989,398.72	1.60%-8.18%	2,444,197,000.00	1.60% - 6.00%
More than 1 month but less than 3 months	456,863,558.58	2.35%-5.18%	363,723,000.00	3.20% - 3.60%
More than 3 months but less than 1 year	360,635,178.09	2.55%-2.86%	-	N/A
	4,020,488,135.39		2,807,920,000.00	

26 Accounts payable to brokerage and margin clients

	31 December 2022	*31 December 2021*
Accounts payable to brokerage clients		
- Individuals	24,101,353,619.70	24,661,783,212.11
- Institutions	42,151,438,410.80	29,709,852,554.25
Sub-total	66,252,792,030.50	54,371,635,766.36
Accounts payable to margin clients		
- Individuals	4,273,199,299.79	5,000,261,498.19
- Institutions	1,044,325,504.16	1,140,373,677.47
Sub-total	5,317,524,803.95	6,140,635,175.66
Total	71,570,316,834.45	60,512,270,942.02

27 Accounts payable to securities underwriting clients

	31 December 2022	*31 December 2021*
Accounts payable to stocks underwriting clients	-	100,000,000.00

28 Employee benefits payable

	Note	*31 December 2022*	*31 December 2021*
Employee benefits	(1)	5,208,473,011.88	6,511,350,091.04
Post-employment benefits - defined contribution plans	(2)	66,082,740.23	91,854,785.62
Total		5,274,555,752.11	6,603,204,876.66

(1) Employee benefits

	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Salaries, bonuses, allowances and subsidies	6,494,549,006.52	2,800,213,844.68	(4,105,262,241.13)	5,189,500,610.07
Staff welfare	-	48,033,981.44	(48,033,981.44)	-
Social insurance	17,532.79	189,239,631.25	(188,952,245.27)	304,918.77
- Medical insurance	15,275.40	175,733,109.03	(175,471,603.78)	276,780.65
- Work-related injury insurance	7,646.49	3,115,655.50	(3,116,008.01)	7,293.98
- Maternity insurance	(5,389.10)	9,970,569.35	(9,944,336.11)	20,844.14
- Other social insurance	-	420,297.37	(420,297.37)	-
Housing fund	78,862.97	214,880,308.80	(214,784,572.38)	174,599.39
Labour union fee, staff and workers' education fee	16,704,688.76	47,819,815.40	(46,031,620.51)	18,492,883.65
Others	-	9,456,408.06	(9,456,408.06)	-
Total	6,511,350,091.04	3,309,643,989.63	(4,612,521,068.79)	5,208,473,011.88

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Salaries, bonuses, allowances and subsidies	5,413,277,788.07	5,236,358,621.68	(4,155,087,403.23)	6,494,549,006.52
Staff welfare	-	46,986,648.05	(46,986,648.05)	-
Social insurance	125,900.54	140,869,996.18	(140,978,363.93)	17,532.79
- Medical insurance	62,556.38	128,639,363.17	(128,686,644.15)	15,275.40
- Work-related injury insurance	7,841.89	2,444,511.94	(2,444,707.34)	7,646.49
- Maternity insurance	55,502.27	9,268,009.28	(9,328,900.65)	(5,389.10)
- Other social insurance	-	518,111.79	(518,111.79)	-
Housing fund	169,057.67	179,139,353.68	(179,229,548.38)	78,862.97
Labour union fee, staff and workers' education fee	8,932,803.54	51,134,783.19	(43,362,897.97)	16,704,688.76
Others	-	8,082,670.54	(8,082,670.54)	-
Total	5,422,505,549.82	5,662,572,073.32	(4,573,727,532.10)	6,511,350,091.04

(2) Post-employment benefits - defined contribution plans

	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Basic pension insurance	11,536,870.69	279,199,503.33	(279,139,197.03)	11,597,176.99
Unemployment insurance	34,887.29	8,892,269.31	(8,875,138.28)	52,018.32
Annuity	80,283,027.64	22,527,493.57	(48,376,976.29)	54,433,544.92
Total	91,854,785.62	310,619,266.21	(336,391,311.60)	66,082,740.23

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Basic pension insurance	10,825,055.68	235,228,661.03	(234,516,846.02)	11,536,870.69
Unemployment insurance	4,502.81	7,594,658.64	(7,564,274.16)	34,887.29
Annuity	46,425,856.13	325,727,568.63	(291,870,397.12)	80,283,027.64
Total	57,255,414.62	568,550,888.30	(533,951,517.30)	91,854,785.62

29 Taxes payable

	31 December 2022	*31 December 2021*
Corporate income tax	239,627,439.15	1,080,980,318.53
Individual income tax	135,030,688.46	128,857,496.03
Individual income tax from restricted shares	124,808,323.23	698,837,350.13
VAT	42,181,865.49	134,224,477.51
Urban maintenance and construction tax	4,011,528.49	10,221,362.45
Education and local education surcharges	3,110,201.82	7,120,797.88
Others	8,019,660.59	1,951,000.14
Total	556,789,707.23	2,062,192,802.67

30 Accounts payable

	31 December 2022	*31 December 2021*
Performance deposits payable	14,348,241,258.10	3,295,286,351.77
Fees and commission payable	493,863,672.96	861,215,222.59
Accounts payable arising from custodian services	355,936,194.83	1,096,734,983.33
Payables to be liquidated	323,487,424.13	416,159,680.55
Pledged warehouse receipts payable	72,208,000.00	94,839,960.00
Others	400,509.48	400,509.48
Total	15,594,137,059.50	5,764,636,707.72

31 Contract liabilities

	31 December 2022	*31 December 2021*
Financial advisory contracts	48,060,339.58	34,671,839.64
Sponsorship contracts	33,350,881.35	32,777,169.87
Investment consulting contracts	1,564,651.82	2,992,052.03
Others	741,823.90	1,083,018.85
Total	83,717,696.65	71,524,080.39

The contract liabilities mainly relate to the Group's advance receipts for underwriting sponsorship fees, advance receipts for financial advisory fees, advance receipts for investment consulting fees and advance receipts received from the sale of goods. Advance receipts are received in accordance with contractual agreements and the revenue related to the contracts will be recognised until the Group satisfies its performance obligation.

32 Debentures payable

Debenture	*Face value Original currency*	*Date of value*	*Maturity period*	*Issuance amount*	*Nominal interest rate*	*Balance at 1 January 2022*	*Additions during the year*	*Decrease during the year*	*Balance at 31 December 2022*
				Original currency		*Amount in RMB equivalent*	*Amount in RMB equivalent*	*Amount in RMB equivalent*	*Amount in RMB equivalent*
19 Industrial F1	RMB100.00	20 March 2019	3 years	RMB3.00 billion	4.10%	3,094,337,598.29	21,922,675.67	(3,116,260,273.96)	-
19 Industrial G1	RMB100.00	6 November 2019	3 years	RMB10.50 billion	3.78%	10,546,367,633.08	342,377,071.79	(10,888,744,704.87)	-
20 Industrial G1	RMB100.00	17 February 2020	3 years	RMB3.00 billion	3.10%	3,078,490,702.53	90,709,921.54	(88,413,698.67)	3,080,786,925.40
21 Industrial 01	RMB100.00	26 January 2021	2 years	RMB3.50 billion	3.45%	3,600,915,125.48	118,313,013.92	(112,479,452.03)	3,606,748,687.37
21 Industrial 02	RMB100.00	09 April 2021	2 years	RMB3.00 billion	3.35%	3,062,697,393.73	102,392,812.41	(98,297,260.28)	3,066,792,945.86
21 Industrial 03	RMB100.00	22 July 2021	3 years	RMB4.00 billion	3.13%	4,039,761,340.09	123,812,496.72	(117,996,712.35)	4,045,577,124.46
21 Industrial 04	RMB100.00	16 August 2021	3 years	RMB4.00 billion	3.09%	4,030,165,103.60	124,684,346.14	(118,520,547.97)	4,036,328,901.77
21 Industrial 06	RMB100.00	10 November 2021	3 years	RMB4.50 billion	3.10%	4,499,623,337.85	142,922,377.91	(136,060,273.99)	4,506,485,441.77
21 Industrial F1	RMB100.00	3 December 2021	550 days	RMB4.10 billion	3.01%	4,091,672,255.42	129,655,983.62	-	4,221,328,239.04
22 Industrial F1	RMB100.00	12 January 2022	2 years	RMB5.90 billion	3.02%	-	6,078,043,493.46	(16,698,113.21)	6,061,345,380.25
22 Industrial 01	RMB100.00	8 April 2022	3 years	RMB2.50 billion	3.00%	-	2,557,865,168.33	(11,792,452.83)	2,546,072,715.50
22 Industrial F2	RMB100.00	14 April 2022	2 years	RMB2.50 billion	2.99%	-	2,554,769,994.66	(4,716,981.13)	2,550,053,013.53
Sub-total of corporate bonds						40,044,030,490.07	12,387,469,356.17	(14,709,980,471.29)	37,721,519,374.95
20 Industrial C1	RMB100.00	15 September 2020	3 years	RMB3.50 billion	4.10%	3,532,444,664.41	143,580,399.26	(137,602,739.71)	3,538,422,323.96
21 Industrial C1	RMB100.00	15 October 2021	3 years	RMB4.30 billion	3.90%	4,316,941,815.86	166,861,354.09	(161,267,671.22)	4,322,535,498.73
Sub-total of subordinated debts						7,849,386,480.27	310,441,753.35	(298,870,410.93)	7,860,957,822.69
Structured notes (Note)						1,186,250,701.90	4,749,563,406.11	(1,020,516,643.75)	4,915,297,464.26
US dollar bonds	USD100.00	30 December 2019	3 years	USD295.00 million	2.90%	1,878,872,328.26	-	(1,878,872,328.26)	-
US dollar bonds	USD100.00	9 February 2021	3 years	USD300.00 million	2.00%	1,923,255,084.63	159,119,430.53	(224,379,759.88)	1,857,994,755.28
Total						52,881,795,085.13	17,606,593,946.16	(18,132,619,614.11)	52,355,769,417.18

Note: These structured notes with period more than one year issued by the over-the-counter market.

33 Other liabilities

	Note	*31 December 2022*	*31 December 2021*
Other payables	(1)	344,171,670.98	341,342,562.51
Risk reserve for futures	(2)	88,879,878.95	80,603,059.17
Dividends payable		367,500,000.00	-
Interest payable		2,976,104.82	5,851,193.50
Funds from securities repayment agency business		649,838.96	649,838.96
Others		1,241,832.44	1,873,873.07
Total		805,419,326.15	430,320,527.21

(1) Other payables

	Note	*31 December 2022*	*31 December 2021*
Staff risk deposits	(a)	118,896,897.90	153,256,336.50
Sales payment or service fees payable		92,869,598.12	72,418,030.77
Payables to security investors protection fund	(b)	19,285,244.85	22,614,546.61
Payables to future investors protection fund	(c)	702,556.18	1,568,898.85
Others		112,417,373.93	91,484,749.78
Total		344,171,670.98	341,342,562.51

(a) The risk guarantee will be returned in accordance with the Company's relevant regulations after the assessment.

(b) Securities investor protection funds are made at a percentage of operating income based on the *Notice of China Securities Regulatory Commission on Printing and Distributing the Implementation Measures for the Payment of Securities Investor Protection Funds by Securities Companies (for Trial Implementation)* (Zheng Jian Fa [2007] No.50) and the *Notice of the Department of Intermediary Supervision of the China Securities Regulatory Commission on Issuing and Implementing the Guidelines on the Categorised Regulation of Securities Companies (for Trial Implementation)* (Zheng Jian Hui Ji Gou Bu Han [2007] No.268), the percentage during period ended 31 December 2022 was 0.5% (2021: 0.5%).

(c) Future investors protection fund is made at a certain percentage of the agent's trading volume charges of the subsidiary - China Industrial Securities Futures Co., Ltd., according to The Provisions on Clarifying Matters Relating to Contribution Rates to the Protection Fund of Futures Traders issued by China Securities Regulatory Commission. The percentage from November 1, 2020 to October 31, 2021 is 8.5 per 100 billion; from November 1, 2021 to December 31, 2022, the proportion is 6 per 100 billion.

(2) Risk reserve for futures

The risk reserve for futures is made at 5% of the net income of the agent commission charges of the subsidiary - China Industrial Securities Futures Co., Ltd., after deducting the commission payable to the futures exchange.

34 Share capital

		Movements during the year					
	Balance at 1 January 2022	*Issuance of new shares*	*Bonus shares*	*Transfer from reserves*	*Share conversion*	*Sub-total*	*Balance at 31 December 2022*
Unrestricted shares - RMB ordinary shares	6,696,671,674.00	1,939,315,620.00	-	-	-	1,939,315,620.00	8,635,987,294.00

		Movements during the year					
	Balance at 1 January 2021	*Issuance of new shares*	*Bonus shares*	*Transfer from reserves*	*Share conversion*	*Sub-total*	*Balance at 31 December 2021*
Unrestricted shares - RMB ordinary shares	6,696,671,674.00	-	-	-	-	-	6,696,671,674.00

35 Capital reserve

	Balance at 1 January 2022	*Additions during the year*	*Decrease during the year*	*Balance at 31 December 2022*
Share premium	14,369,939,244.91	8,095,026,003.25	-	22,464,965,248.16
Other capital reserves	7,012,604.10	149,225.64	-	7,161,829.74
Total	14,376,951,849.01	8,095,175,228.89	-	22,472,127,077.90

36 Other comprehensive income

	Balance at the beginning of the year attributable to shareholders of the Company	*1 January 2022 to 31 December 2022*						*Balance at the end of the year attributable to shareholders of the Company*
		Before-tax amount	*Less: Income tax expense*	*Less: Previously recognised amount transferred to profit or loss*	*Total*	*Net-of-tax amount attributable to shareholders of the Company*	*Net-of-tax amount attributable to non-controlling interests*	
Items that will not be reclassified to profit or loss								
Including: Other comprehensive income that cannot be reclassified to profit or loss under the equity method	-	(28,745,209.54)	-	-	(28,745,209.54)	(28,745,209.54)	-	(28,745,209.54)
Gains or losses arising from changes in fair value of other equity instrument investments	-	(60,678,331.08)	-	-	(60,678,331.08)	(31,437,519.86)	(29,240,811.22)	(31,437,519.86)
Items that may be reclassified to profit or loss								
Including: Changes in fair value of other debt investments	290,002,023.96	(156,312,385.29)	58,876,474.55	(103,520,627.98)	(200,956,538.72)	(189,255,171.40)	(11,701,367.32)	100,746,852.56
Credit losses of other debt investments	8,167,134.71	(1,591,125.40)	452,325.07	-	(1,138,800.33)	(1,243,631.28)	104,830.95	6,923,503.43
Translation differences arising from translation of foreign currency financial statements	(28,874,861.48)	325,012,050.14	-	-	325,012,050.14	208,885,741.09	116,126,309.05	180,010,879.61
Total	269,294,297.19	77,684,998.83	59,328,799.62	(103,520,627.98)	33,493,170.47	(41,795,790.99)	75,288,961.46	227,498,506.20

	Balance at the beginning of the year attributable to shareholders of the Company	*1 January 2021 to 31 December 2021*						*Balance at the end of the year attributable to shareholders of the Company*
		Before-tax amount	*Less: Income tax expense*	*Less: Previously recognised amount transferred to profit or loss*	*Total*	*Net-of-tax amount attributable to shareholders of the Company*	*Net-of-tax amount attributable to non-controlling interests*	
Items that will not be reclassified to profit or loss								
Including: Gains or losses arising from changes in fair value of other equity instrument investments	89,072,286.74	31,869,944.16	29,690,762.25	(150,632,993.15)	(89,072,286.74)	(89,072,286.74)	-	-
Items that may be reclassified to profit or loss								
Including: Changes in fair value of other debt investments	185,281,127.73	197,210,946.56	(34,906,965.41)	(57,583,084.92)	104,720,896.23	104,720,896.23	-	290,002,023.96
Credit losses of other debt investments	46,357,054.31	(50,919,892.79)	12,729,973.19	-	(38,189,919.60)	(38,189,919.60)	-	8,167,134.71
Translation differences arising from translation of foreign currency financial statements	35,382,496.32	(103,477,976.31)	-	-	(103,477,976.31)	(64,257,357.80)	(39,220,618.51)	(28,874,861.48)
Total	356,092,965.10	74,683,021.62	7,513,770.03	(208,216,078.07)	(126,019,286.42)	(86,798,667.91)	(39,220,618.51)	269,294,297.19

37 Surplus reserve

	Balance at 1 January 2022	*Additions during the year*	*Decrease during the year*	*Balance at 31 December 2022*
Statutory surplus reserve	2,308,549,565.26	201,347,345.01	-	2,509,896,910.27

The statutory surplus reserve is set aside at 10% of the Company's annual net profit, and the statutory surplus reserve can be used to make up for the Company's losses and to expand the Company's production and operation or to increase the Company's capital.

38 General risk reserve

	Balance at 1 January 2022	*Additions during the year*	*Decrease during the year*	*Balance at 31 December 2022*
General risk reserve	3,672,777,984.74	463,117,966.04	-	4,135,895,950.78
Trading risk reserve	2,317,657,145.81	211,638,371.20	-	2,529,295,517.01
Total	5,990,435,130.55	674,756,337.24	-	6,665,191,467.79

The general risk reserve comprises the general risk reserve and the trading risk reserve provided by the Company and its subsidiaries in accordance with the relevant regulations (see Note III.22).

39 Appropriation of profits and retained earnings

	Note	*31 December 2022*	*31 December 2021*
Retained earnings at the beginning of the year (after adjustment)		11,547,539,511.44	9,279,419,567.64
Add: Net profits for the year attributable to shareholders of the Company		2,637,075,791.20	4,743,070,343.36
Less: Appropriation for statutory surplus reserve	(1)	(201,347,345.01)	(297,560,763.27)
Appropriation for general risk reserve	(1)	(463,117,966.04)	(666,987,821.31)
Appropriation for trading risk reserve	(1)	(211,638,371.20)	(305,000,913.66)
Cash dividends for ordinary shares	(2)	(1,554,477,712.92)	(1,205,400,901.32)
Retained earnings at the end of the year		11,754,033,907.47	11,547,539,511.44

(1) Appropriation for surplus reserve and risk reserve

According to relevant laws and regulations and Articles of Association, the Group made appropriation for statutory surplus reserve, general risk reserve and trading risk reserve.

(2) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval of the first extraordinary shareholders' meeting on 8 December, 2022, the Company distributed a cash dividend of RMB 0.18 per share (2021: RMB 0.18 per share) to all shareholders on 26 December, 2022, total RMB 1,554,477,712.92 (2021: RMB 1,205,400,901.32).

(3) Retained earnings at the end of the year

As 31 December 2022, the retained earnings attributable to the Company included appropriation for surplus reserves made by the Company's subsidiaries amounting to RMB457,358,813.79 (31 December 2021: RMB427,482,599.31).

40 Net fee and commission income

(1) By income category

	Note	*2022*	*2021*
Net income from securities brokerage business		2,539,146,106.95	3,319,952,750.71
- Income from securities brokerage business		3,053,325,902.97	3,950,108,985.83
- Agency securities trading		1,796,742,076.14	2,260,220,737.69
- Lease of trading membership		784,810,685.21	1,025,755,452.65
- Agency sale of financial product		471,773,141.62	664,132,795.49
- Expenses for securities brokerage business		(514,179,796.02)	(630,156,235.12)
- Agency securities trading		(514,052,983.47)	(629,960,197.19)
- Agency sale of financial product		(126,812.55)	(196,037.93)
Net income from futures brokerage business		217,345,404.79	240,792,638.59
- Income from futures brokerage business		222,473,777.04	246,504,574.48
- Expenses for futures brokerage business		(5,128,372.25)	(5,711,935.89)
Net income from investment banking business		954,851,001.55	1,242,231,940.96
- Income from investment banking business		961,741,876.07	1,261,819,336.19
- Securities underwriting business		861,854,850.58	1,129,388,212.86
- Securities sponsorship business		46,518,226.58	55,985,561.86
- Financial advisory business	(a)	53,368,798.91	76,445,561.47
- Expenses for investment banking business		(6,890,874.52)	(19,587,395.23)
- Securities underwriting business		(5,507,728.34)	(16,030,942.72)
- Securities sponsorship business		(1,228,462.90)	(3,462,632.43)
- Financial advisory business	(a)	(154,683.28)	(93,820.08)
Net income from assets management business		160,723,663.27	242,054,897.29
- Income from assets management business		163,211,187.75	254,894,982.16
- Expenses for assets management business		(2,487,524.48)	(12,840,084.87)
Net income from fund management business		2,911,840,439.08	4,712,301,423.65
- Income from fund management business		4,019,997,226.77	6,131,985,223.67
- Expenses for fund management business		(1,108,156,787.69)	(1,419,683,800.02)

	Note	*2022*	*2021*
Net Income from investment advisory business		159,805,296.99	133,676,880.11
- Income from investment advisory business		159,891,708.86	141,067,373.11
- Expenses for investment advisory business		(86,411.87)	(7,390,493.00)
Net income from other fee and commission		193,177,669.49	214,786,435.78
- Net income from other fee and commission		210,586,404.74	232,951,188.43
- Expenses for other fee and commission		(17,408,735.25)	(18,164,752.65)
Total		7,136,889,582.12	10,105,796,967.09
Including: Total income from fee and commission		8,791,228,084.20	12,219,331,663.87
Total expenses for fee and commission		(1,654,338,502.08)	(2,113,534,696.78)

(a) Net income from financial advisory services

	2022	*2021*
Net income from M&A restructuring financial advisory business		
- Domestic listed company	1,915,094.33	7,151,481.63
Net income from other financial advisory business	51,299,021.30	69,200,259.76
Total	53,214,115.63	76,351,741.39

41 Net interest income

	2022	*2021*
Interest income		
Including: Interest income from cash at bank and clearing settlement funds	1,731,055,301.08	1,307,578,134.64
Interest income from margin accounts	1,940,653,735.09	2,164,189,397.75
Interest income from financial assets held under resale agreements	206,190,788.88	226,915,149.18
Including: Interest income from stock-pledged financing	145,522,182.48	175,292,454.68
Interest income from debt investments	35,216,152.84	-
Interest income from other debt investments	954,429,405.31	1,005,476,695.90
Others	116,759,923.66	7,240,030.63
Sub-total of interest income	4,984,305,306.86	4,711,399,408.10
Interest expense		
Including: Interest expense on loans	(20,427,278.76)	(39,315,182.04)
Interest expense on short-term financing payables	(137,402,578.25)	(305,800,669.37)
Interest expenses for placements from banks and other financial institutions	(119,085,325.79)	(80,189,915.69)
Including: Interest expenses for margin financing and securities lending	(9,602,841.52)	(58,586,326.71)
Interest expenses for financial assets sold under repurchase agreement	(650,242,137.59)	(663,654,800.50)
Including: Interest expense for stock-pledged financing	(93,395,995.36)	(45,021,130.37)
Interest expenses for customer deposits	(165,866,701.40)	(155,632,406.19)
Interest expenses for bonds payables	(1,930,446,838.83)	(1,698,605,749.25)
Including: Interest expenses for secondary bonds	(292,302,531.10)	(418,319,410.16)
Interest expenses for lease liabilities	(29,304,893.40)	(34,163,647.30)
Others	(7,972,624.78)	(9,872,230.16)
Sub-total of interest expense	(3,060,748,378.80)	(2,987,234,600.50)
Net interest income	1,923,556,928.06	1,724,164,807.60

42 Investment gains

(1) By category

	2022	*2021*
Investment income from long-term equity investments accounted for using equity method	132,837,092.94	52,057,535.76
Investment income from disposal of long-term equity investments	293,959.28	1,752,600.97
Investment income arising from financial instruments	117,864,226.68	3,124,596,978.20
Including: Investment income received in holding period	1,981,428,282.32	1,856,808,043.54
- Financial assets held for trading	1,943,884,682.41	1,699,522,573.60
- Investments in other equity instruments	32,231,159.28	150,632,993.15
- Derivative financial instruments	5,312,440.63	6,652,476.79
(Losses)/ gains from disposal of financial instruments	(1,863,564,055.64)	1,267,788,934.66
- Financial assets held for trading	(2,152,896,341.08)	1,375,552,889.47
- Other debt investments	103,520,627.98	57,583,084.92
- Derivative financial instruments	185,811,657.46	(165,347,039.73)
Total	250,995,278.90	3,178,407,114.93

Details of investment income arising from financial instruments held for trading are as follows:

		2022	*2021*
Financial assets classified as measured at FVTPL	Investment income in holding period	1,946,466,888.57	1,700,582,878.68
	(Losses)/Gains from disposal	(2,069,550,944.41)	1,617,493,245.60
Financial assets designated at fair value through profit or loss	Investment income in holding period	-	-
	Gains from disposal	-	-
Financial liabilities classified as measured at FVTPL	Investment losses in holding period	(2,582,206.16)	-
	Losses from disposal	(1,032,969.40)	-
Financial liabilities designated at fair value through profit or loss	Investment losses in holding period	-	(1,060,305.08)
	Losses from disposal	(82,312,427.27)	(241,940,356.13)
Total		(209,011,658.67)	3,075,075,463.07

(2) Income from investments in associates and joint ventures

Please see Note VI.13(2).

(3) Significant restrictions on the remittance of investment income

There is no significant restriction on the remittance of the above investment income.

43 Other income

	2022	*2021*	*Amount recognised in extraordinary gain and loss for the year*
Government grants related to daily activities (Note)	317,192,616.38	176,408,362.72	317,192,616.38
Refund of charges for withholding individual income tax	43,992,940.03	21,310,518.94	43,992,940.03
Others	62,776.20	90,375.88	62,776.20
Total	361,248,332.61	197,809,257.54	361,248,332.61

Note: These government grants are related to income and are included in amount recognised in extraordinary gain and loss.

44 Gains from changes in fair value

	2022	*2021*
Financial assets held for trading	(365,222,963.41)	310,873,241.02
Including: Financial assets designated at fair value through profit or loss	-	-
Financial liabilities held for trading	165,356,520.49	220,521,479.15
Including: Financial liabilities designated at fair value through profit or loss	168,182,665.25	218,772,259.63
Derivative financial instruments	463,375,375.66	71,800,835.92
Total	263,508,932.74	603,195,556.09

45 Other operating income

	2022	*2021*
Income from commodity trading	746,834,154.69	3,106,429,104.91
Lease income	708,786.48	2,552,914.34
Property management income	28,378.86	34,766.03
Others	10,292,841.45	2,261,724.83
Total	757,864,161.48	3,111,278,510.11

46 Taxes and surcharges

	2022	*2021*
Urban maintenance and construction tax	33,753,148.89	57,653,193.66
Education and local education surcharges	24,223,731.32	41,222,858.54
Other taxes	13,058,403.70	8,329,008.15
Total	71,035,283.91	107,205,060.35

47 General and administrative expenses

	2022	*2021*
Salaries, bonuses, allowances and subsidies	2,799,019,719.18	5,235,203,363.68
Depreciation and amortisation	692,533,526.51	571,867,053.87
Social insurance	499,660,656.07	709,224,135.75
Business promotion and marketing expenses	216,215,026.31	262,032,708.11
Housing fund	214,815,628.80	179,075,753.68
Software system maintenance fees	168,096,219.67	136,721,594.85
Advisory fees	147,500,709.79	89,422,621.93
Postage and communication fees	147,007,606.87	111,084,551.67
Regulatory and membership fees	115,399,612.40	111,910,897.20
Office expenses	109,611,413.87	117,238,560.01
Others	498,997,872.39	606,852,588.00
Total	5,608,857,991.86	8,130,633,828.75

48 Credit impairment (losses)/reversal

	2022	*2021*
Impairment losses of cash at bank and on hand	11,838.77	69,059.86
Impairment losses of margin financing	40,306,060.04	44,763,376.23
Impairment losses for receivables	5,478,079.33	3,667,832.70
Impairment losses/(reversals) of financial assets held under resale agreements	3,442,620.72	(54,448,532.32)
Impairment losses of debt investments	354,726.85	-
Impairment losses of other debt investments	388,422.17	4,413,515.61
impairment losses/(reversals) of other financial assets	23,607,113.53	(41,758,445.79)
Total	73,588,861.41	(43,293,193.71)

49 Impairment reversal on other assets

	2022	*2021*
Impairment reversals of commodity inventories	(5,925,065.97)	(20,800,110.60)

50 Other operating costs

	2022	*2021*
Sales costs for commodity trading	788,330,880.93	3,084,875,584.75
Property management expenses	3,400,981.72	3,270,031.63
Rental property expenses	560,147.76	2,280,662.31
Total	792,292,010.41	3,090,426,278.69

51 Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

	2022	*2021*	*Amount recognised in extraordinary gain and loss for the period*
Payables not required to be paid	423,260.25	5,307.51	423,260.25
Others	1,167,536.81	596,116.55	1,167,536.81
Total	1,590,797.06	601,424.06	1,590,797.06

(2) Non-operating expenses

Item	*2022*	*2021*	*Amount recognised in extraordinary gain and loss for the period*
Donation expenses	24,022,363.82	37,964,850.77	24,022,363.82
Losses for breach of contract and compensation	1,027,222.43	6,890,713.67	1,027,222.43
Losses on disposal of non-current assets	39,925.68	41,075.36	39,925.68
Others	250,516.38	456,555.81	250,516.38
Total	25,340,028.31	45,353,195.61	25,340,028.31

52 Income tax expenses

	2022	*2021*
Current tax expense for the period based on tax law and regulations	834,704,392.23	2,008,046,496.99
Changes in deferred tax assets/liabilities	173,358,047.54	160,860,140.30
Tax filing differences	(254,849,632.31)	(361,080,156.99)
Total	753,212,807.46	1,807,826,480.30

Reconciliation between income tax expenses and accounting profit:

	2022	*2021*
Profit before taxation	4,096,039,718.48	7,663,245,119.88
Expected income tax expenses at tax rate of 25%	1,024,009,929.62	1,915,811,279.97
Effect of different tax rates applied by subsidiaries	22,204,518.52	(3,280,145.44)
Adjustments to income tax of previous years	(12,030,744.05)	(9,581,285.05)
Effect of non-taxable income	(348,017,488.64)	(176,265,638.38)
Effect of non-deductible costs, expense and losses	39,608,471.19	87,782,710.11
Tax effect of the utilisation of temporary differences of deferred tax assets not recognised in prior year	(2,636,662.38)	(2,243,119.12)
Tax effect of deductible temporary differences of deferred tax assets not recognised for the year	30,074,783.20	(4,397,321.79)
Income tax expenses	753,212,807.46	1,807,826,480.30

53 Basic earnings per share and diluted 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:

	2022	*2021*
Consolidated net profit attributable to ordinary shareholders	2,637,075,791.20	4,743,070,343.36
Weighted average number of ordinary shares outstanding	7,526,722,550.00	6,972,090,179.00
Basic earnings per share (RMB/share)	0.35	0.68

In August 2022, the implementation of the Company's A share allotment program was completed. In accordance with <Accounting Standards for Business Enterprises No. 34 - Earnings Per Share>, the weighted average number of common shares outstanding for each period presented in the above table has been adjusted in the calculation of earnings per share to consider the bonus shares included in the share allotment.

The Company does not have dilutive potential ordinary shares. The calculation process of diluted earnings per share is the same as that of basic earnings per share.

54 Cash flow statement

(1) Proceeds from other operating activities:

	2022	*2021*
Performance deposits received	11,077,944,896.33	2,737,155,273.17
Income from commodity transactions	746,834,154.69	3,106,429,104.91
Government grants received	317,192,616.38	176,408,362.72
VAT from asset management products	233,504,125.54	689,923,639.55
Others	419,473,254.50	750,149,589.24
Total	12,794,949,047.44	7,460,065,969.59

(2) Payments for other operating activities:

	2022	*2021*
Business and administration management fee	1,252,643,541.98	1,291,291,725.03
Net refundable deposits	1,106,010,509.71	716,473,742.75
Payments for commodity transactions	847,977,305.37	3,090,426,278.69
Changes in restricted cash at bank and on hand	339,957,893.09	726,764,915.79
Other businesses	931,310,451.74	466,810,825.64
Total	4,477,899,701.89	6,291,767,487.90

55 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	2022	*2021*
Net profit	3,342,826,911.02	5,855,418,639.58
Add: Impairment losses/(reversal) of credit/assets	67,663,795.44	(64,093,304.31)
Depreciation of right-of-use assets	304,142,413.36	280,985,026.57
Depreciation of fixed assets	157,696,391.06	115,709,518.36
Amortisation of intangible assets	223,895,674.98	167,869,593.21
Amortisation of long-term deferred expenses	51,840,035.35	45,624,369.01
Depreciation of investment properties	560,147.76	2,280,662.31
Gains on disposal or retirement of fixed assets, intangible assets and other long-term assets	(498,442.16)	(3,810,812.52)
Gains from changes in fair value	(263,508,932.74)	(603,195,556.09)
Net interest expense	1,127,936,031.09	1,072,408,552.06
Exchange losses/(gains)	34,923,626.72	(47,705,729.03)
Investment income	(268,882,839.48)	(262,026,214.80)
Decrease/ (Increase) in deferred tax assets	230,618,979.29	(36,036,995.91)
(Decrease)/Increase in deferred tax liabilities	(57,260,931.75)	196,897,136.21
Increase in financial assets held for trading	(2,761,212,450.65)	(9,457,792,003.48)
Decrease/(Increase) in operating receivables	849,982,593.15	(7,666,412,277.68)
Increase in operating payables	19,615,691,011.65	25,609,987,384.96
Net cash flows generated from operating activities	22,656,414,014.09	15,206,107,988.45

(b) Significant investing and financing activities not requiring the use of cash:

As at 31 December 2022 and 31 December 2021, the Group has no significant investing and financing activities not requiring the use of cash.

(c) Change in cash:

	2022	*2021*
Cash at the end of the year	86,354,953,848.05	70,825,300,555.07
Less: Cash at the beginning of the year	(70,825,300,555.07)	(54,391,421,247.68)
Net increase in cash	15,529,653,292.98	16,433,879,307.39

(2) Information on acquisition or disposal of subsidiaries and other business units during the year:

The Group does not have any significant acquisition or disposal of subsidiaries during 31 December 2022 and 31 December 2021.

(3) Details of cash:

	31 December 2022	*31 December 2021*
Cash		
Including: Bank deposits available on demand	77,111,550,310.15	64,153,215,513.38
Other monetary funds available on demand	149,683,946.50	63,489,498.11
Balances with clearing companies available on demand	9,093,719,591.40	6,608,595,543.58
Cash balance at the end of the year	86,354,953,848.05	70,825,300,555.07

56 Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

	31 December 2022		
	Amount in original currency	*Exchange rate*	*Amount in RMB equivalent*
Cash at bank and on hand			
Including: USD	215,133,630.60	6.96460	1,498,313,574.44
HKD	3,408,688,501.87	0.89327	3,044,879,178.06
Others			39,606,880.98
Balances with clearing companies			
Including: USD	6,026,994.73	6.96460	41,975,607.50
HKD	22,377,794.17	0.89327	19,989,412.20
Margin accounts			
Including: HKD	602,092,515.88	0.89327	537,831,181.66
Accounts receivable			
Including: HKD	564,307,831.56	0.89327	504,079,256.70
Refundable deposits			
Including: USD	17,862,502.22	6.96460	124,405,182.94
HKD	33,219,438.67	0.89327	29,673,927.98
Other assets			
Including: HKD	30,820,778.35	0.89327	27,531,276.68
Short-term loans			
Including: HKD	1,000,907,151.51	0.89327	894,080,331.23
Accounts payable to brokerage and margin clients			
Including: USD	108,014,342.88	6.96460	752,270,583.21
HKD	1,900,920,654.86	0.89327	1,698,035,393.37
Others			67,367,401.60
Accounts payable			
Including: HKD	147,107,047.65	0.89327	131,406,312.45
Debentures payable			
Including: USD	266,776,951.34	6.96460	1,857,994,755.28
Other liabilities			
Including: HKD	31,868,684.00	0.89327	28,467,339.36

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB equivalent*
Cash at bank and on hand			
Including: USD	339,888,148.86	6.37570	2,167,024,870.70
HKD	6,296,568,856.01	0.81760	5,148,074,696.67
Others			18,610,001.68
Balances with clearing companies			
Including: USD	7,304,974.42	6.37570	46,574,325.41
HKD	10,172,305.22	0.81760	8,316,876.75
Margin accounts			
Including: HKD	819,249,883.17	0.81760	669,818,704.48
Accounts receivable			
Including: HKD	699,235,111.28	0.81760	571,694,626.98
Refundable deposits			
Including: USD	15,123,292.86	6.37570	96,421,578.30
HKD	34,972,460.42	0.81760	28,593,483.64
Other assets			
Including: HKD	44,867,204.43	0.81760	36,683,426.34
Short-term loans			
Including: HKD	530,146,916.03	0.81760	433,448,118.55
Accounts payable to brokerage and margin clients			
Including: USD	128,693,315.93	6.37570	820,509,974.37
HKD	3,031,971,593.82	0.81760	2,478,939,975.11
Others			30,113,906.90
Accounts payable			
Including: HKD	251,737,722.43	0.81760	205,820,761.86
Other liabilities			
Including: HKD	36,507,648.51	0.81760	29,848,653.42

(2) Foreign operations

The Group's foreign operation is its subsidiary, Industrial Securities (Hong Kong), whose place of business is in Hong Kong and functional currency is HKD. The functional currency of the foreign operation depends on the primary economic environment in which it operates. There have been no changes in functional currency during the reporting period.

57 Leases

(1) As a lessee

The Group leases plant and buildings as its offices, with a general lease term of 1 to 5 years.

(a) Right-of-use assets

Item	*Plant and buildings*	*Equipment and others*	*Total*
Cost			
Balance at the beginning of the year	1,108,937,324.11	707,724.21	1,109,645,048.32
Additions during the year	167,338,036.13	113,087.87	167,451,124.00
Decrease during the year	(58,932,802.82)	(53,395.10)	(58,986,197.92)
Exchange differences	6,538,839.68	-	6,538,839.68
Balance at the end of the year	1,223,881,397.10	767,416.98	1,224,648,814.08
Accumulated depreciation			
Balance at the beginning of the year	(257,713,985.33)	(146,936.47)	(257,860,921.80)
Charge for the year	(303,878,185.99)	(264,227.37)	(304,142,413.36)
Decrease during the year	38,549,655.86	53,372.45	38,603,028.31
Exchange differences	(3,997,507.97)	-	(3,997,507.97)
Balance at the end of the year	(527,040,023.43)	(357,791.39)	(527,397,814.82)
Provision for impairment			
Balance at the beginning of the year	-	-	-
Charge for the year	-	-	-
Decrease during the year	-	-	-
Balance at the end of the year	-	-	-
Carrying amount			
At the end of the year	696,841,373.67	409,625.59	697,250,999.26
At the beginning of the year	851,223,338.78	560,787.74	851,784,126.52

(b) Lease liabilities

Item	*31 December 2022*	*1 January 2022*
Non-current lease liabilities due more than one year	433,074,366.96	579,322,211.49
Lease liabilities due within one year	267,204,885.19	267,682,958.76
Total	700,279,252.15	847,005,170.25

(c) The Group also leases plant and buildings, motor vehicle and equipment, which are short-term leases and low-value leases. The Group has not recognised right-of-use assets and lease liabilities for these short-term leases and low-value assets leases which are accounted for using practical expedient. Details of short-term leases and low-value assets are as follows:

Item	*2022*	*2021*
Short-term lease expenses applied the practical expedient	17,901,742.87	56,842,842.75
Expenses relating to leases of low-value assets applied the practical expedient (excluding short-term leases of low-value assets)	28,730.83	339,414.18

(d) Potential future cash outflows not included in the measurement of lease liabilities

The Group's potential future cash outflows not included in the measurement of lease liabilities arise mainly from exposures such as leases that are committed but have not yet commenced. The expected future annual cash outflows for leases to which the Group is committed but which have not yet commenced are not material.

VII Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Please see Note V.1 and V.2 for information on the structured entities included in the subsidiaries and the scope of consolidated financial statements.

(2) Material non-wholly owned subsidiaries

	31 December 2022			
Name of the subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Profit or loss allocated to non-controlling interests during the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
AEGON-Industrial Fund	49.00%	824,831,486.10	367,500,000.00	3,281,774,627.72
Industrial Securities Futures	0.45%	773,269.89	-	10,628,108.17
Industrial Securities International	47.74%	(120,553,086.28)	-	1,277,236,062.97

	31 December 2021			
Name of the subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Profit or loss allocated to non-controlling interests during the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
AEGON-Industrial Fund	49.00%	1,095,153,849.29	-	2,824,443,141.62
Industrial Securities Futures	0.45%	1,110,514.09	-	8,054,838.28
Industrial Securities International	48.07%	15,504,884.61	-	1,331,142,334.35

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	AEGON-Industrial Fund		*Industrial Securities Futures*		*Industrial Securities International*	
	31 December 2022	*31 December 2021*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*
Total assets	10,603,362,161.84	9,889,455,329.73	36,140,844,402.44	26,062,524,212.51	11,141,025,560.47	13,731,431,039.91
Total liabilities	3,905,862,921.60	4,125,285,652.95	33,779,042,586.08	24,272,560,150.45	7,572,521,155.60	10,144,457,978.00
Operating income	4,317,452,729.83	6,568,221,169.13	1,246,787,726.62	3,739,611,499.16	221,705,578.79	528,365,872.27
Net profit/(loss)	1,683,329,563.46	2,235,007,855.70	171,837,754.30	246,780,909.30	(255,560,870.09)	33,288,946.59
Total comprehensive income	1,683,329,563.46	2,235,007,855.70	171,837,754.30	246,780,909.30	(337,124,731.21)	33,288,946.59
Cash flows from operating activities	477,981,271.02	2,262,044,242.11	7,980,263,755.54	8,914,797,167.58	1,772,112,057.81	3,509,579,659.45

2 Interests in joint ventures or associates

	31 December 2022	*31 December 2021*
Joint ventures		
- material joint ventures	1,023,211,890.14	1,004,860,696.39
- immaterial joint ventures	-	13,184,561.23
Associates		
- material associates	125,708,386.23	89,015,226.76
- immaterial associates	3,716,430,018.85	3,621,820,825.46
Sub-total	4,865,350,295.22	4,728,881,309.84
Less: Provision for impairment	-	-
Total	4,865,350,295.22	4,728,881,309.84

(1) Material joint ventures or associates:

Name of investee	*Registered place*	*Business nature*	*Shareholding percentage (%)*		*Accounting treatment of investments in associates*	*Paid-in capital*	*Strategic to the Group's activities*
			Direct	*Indirect*			
Associate							
Haixia Equity Exchange (Fujian) Co., Ltd.	Pingtan, Fuzhou	Equity transaction	45.25	-	Equity method	RMB210 million	Yes
Joint venture							
Fujian Private Economy New Dynamic Equity Investment Partnership (Limited Partnership)	Pingtan, Fuzhou	Equity transaction		64.50	Equity method	RMB1.414 billion	Yes

(2) Key financial information of material associates

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and any differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the associates when using the equity method:

	Haixia Equity Exchange (Fujian) Co., Ltd.	
	31 December 2022	*31 December 2021*
Total assets	304,370,987.35	318,328,702.60
Total liabilities	97,003,384.07	125,568,530.38
Net assets		
Non-controlling interests	3,009,840.79	2,611,151.63
Equity attributable to shareholders of the Company	204,357,762.49	190,149,020.59
Group's share of net assets	92,471,887.53	67,940,245.06
Add: Other adjustments	33,236,498.70	21,074,981.70
Less: Provision for impairment	-	-
Carrying amount of interests in associates	125,708,386.23	89,015,226.76
Operating income	30,815,788.44	35,325,443.62
Net profit/(loss)	14,607,431.06	4,501,022.46
Other comprehensive income	-	-
Total comprehensive income	14,607,431.06	4,501,022.46
Dividends received from associates during the year	-	-

(3) Key financial information of material joint ventures:

The following table sets out the key financial information of the Group's material joint ventures, adjusted for fair value adjustments at the time of acquisition and any differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the joint ventures when using the equity method:

	Fujian Private Economy New Dynamic Equity Investment Partnership (Limited Partnership)	
	31 December 2022	*31 December 2021*
Total assets	1,586,375,023.45	1,557,923,560.30
Total liabilities	-	-
Interest attributed to partners	1,586,375,023.45	1,557,923,560.30
Group's contribution/share of net assets	1,023,211,890.14	1,004,860,696.39
Less: Provision for impairment	-	-
Carrying amount of interests in joint ventures	1,023,211,890.14	1,004,860,696.39
Operating income	33,467,629.24	94,239,471.37
Net profit	28,451,463.15	94,106,772.28
Other comprehensive income	-	-
Total comprehensive income	28,451,463.15	94,106,772.28
Dividends received from associates during the year	-	-

(4) Summarised financial information of immaterial joint ventures and associates

	31 December 2022	*31 December 2021*
Joint ventures:		
Aggregate carrying amount of investments	-	13,184,561.23
Aggregate amount of share of		
- Net loss	-	(16,536,711.58)
- Other comprehensive income	-	-
- Total comprehensive income	-	(16,536,711.58)

	31 December 2022	*31 December 2021*
Associates:		
Aggregate carrying amount of investments	3,716,430,018.85	3,621,820,825.46
Aggregate amount of share of		
- Net profit/(loss)	108,892,739.72	5,673,473.24
- Other comprehensive income	(28,745,209.54)	-
- Total comprehensive income	80,147,530.18	5,673,473.24

3 Interests in structured entities not included in the consolidated financial statements

(1) Basic information of structured entities not included in the consolidated financial statements

The Group's structured entities not included in the consolidated financial statements include funds (including private equity), wealth management products issued by banks, asset management scheme and trust schemes sponsored by third-party institution and directly held by the Group, and fund (private equity fund included) and asset management scheme sponsored by the Groupwealth management products issued by banks. The purpose of these structured entities is to manage assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. The Group's interests in these structured entities that are not included in the consolidated financial statements mainly include direct holding of investments for investment income or collecting management fees through the management of these structured entities. Except the Group’s consolidated structured entities stated in Note V.2, the Group considers the variable returns from its interest in the structure entities are not material, and therefore the Group has not consolidated these structure entities.

Please see Note VII. 3(3) for details of unconsolidated structured entities sponsored by the Group as of 31 December 2022 and 31 December 2021.

(2) Interest in the structured entities sponsored by third-party institutions

The Group directly holds interests in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. The following tables set out an analysis of the carrying amounts/maximum loss exposure of interests held by the Group as at 31 December 2022 and 31 December 2021 in the structured entities sponsored by third-party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2022		
	Financial assets held for trading	*Long-term equity investments*	*Total*
Public offering funds	8,477,307,612.60	-	8,477,307,612.60
Wealth management products issued by banks	126,551,028.69	-	126,551,028.69
Asset management products issued by securities firms	181,291,334.75	-	181,291,334.75
Trust schemes	164,959,767.25	-	164,959,767.25
Others	6,088,071,689.62	108,038,388.81	6,196,110,078.43
Total	15,038,181,432.91	108,038,388.81	15,146,219,821.72

	31 December 2021		
	Financial assets held for trading	*Long-term equity investments*	*Total*
Public offering funds	5,963,210,463.59	-	5,963,210,463.59
Wealth management products issued by banks	340,652,849.60	-	340,652,849.60
Asset management products issued by securities firms	110,210,479.45	-	110,210,479.45
Trust schemes	206,521,418.91	-	206,521,418.91
Others	3,485,646,004.40	91,518,406.67	3,577,164,411.07
Total	10,106,241,215.95	91,518,406.67	10,197,759,622.62

As at 31 December 2022 and 31 December 2021, The Group's maximum exposure to potential losses arising from its investments in the above funds and wealth management products, etc. is the fair value at the reporting date.

(3) Unconsolidated structured entities sponsored by the Group in which the Group holds an interest

Structured entities sponsored by the Group that are not included in the consolidated financial statements. The following tables set out an analysis of the carrying amounts/maximum loss exposure of interests held by the Group as at 31 December 2022 and 31 December 2021 in the structured entities sponsored by the Group but not included in the consolidation financial statements, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2022		
	Financial assets held for trading	*Investments in other equity instruments*	*合计*
Public offering funds	9,003,924,505.54	-	9,003,924,505.54
Asset management products issued by securities firms	459,322,901.19	-	459,322,901.19
Others	359,662,519.19	1,026,324,803.09	1,385,987,322.28
Total	9,822,909,925.92	1,026,324,803.09	10,849,234,729.01

	31 December 2021		
	Financial assets held for trading	*Investments in other equity instruments*	*合计*
Public offering funds	7,113,832,304.34	-	7,113,832,304.34
Asset management products issued by securities firms	422,435,644.30	-	422,435,644.30
Others	459,771,711.01	1,021,710,064.26	1,481,481,775.27
Total	7,996,039,659.65	1,021,710,064.26	9,017,749,723.91

As at 31 December 2022 and 31 December 2021, The Group's maximum exposure to potential losses arising from its investments in the above funds (including private equity) and asset management products issued by securities firms, etc. is the fair value at the reporting date.

As at 31 December 2022 and 31 December 2021, the total net assets of the structured entities sponsored by the Group but not included in the consolidation scope amounted to RMB728.734 billion and RMB740.298 billion, respectively. As at 31 December 2022 and 31 December 2021, the amount of management fee income recognised from these structured entities by the Group was RMB3,072,676,396.74 and RMB4,955,465,849.59, respectively.

VIII 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 after taking the materiality principle into account, and the Group allocates resources and assesses the segment performance accordingly. The Group's major segments at 31 December 2022 and 31 December 2021 are the wealth management segment, the institutional services segment, the proprietary investment segment and the overseas segment.

The wealth management segment comprises the securities and futures brokerage business as well as the asset management business. The securities and futures brokerage business refers to the provision of diversified services through a combination of offline and online methods, including trading services (such as acting as an agent for clients to buy and sell stocks, funds, bonds, futures and options), sales of financial products, fund investment consulting, margin trading and short selling, stock-based pledged reverse REPOs, equity incentive exercise financing, etc.; the asset management business includes the provision of various types of securities asset management, fund asset management and private investment fund management services for customers.

The institutional services segment comprises the research and institutional services business and the investment banking business. The research and institutional services business includes the provision of securities research and sales trading services, asset custody and outsourcing services, and institutional trading services for various institutional customers; the investment banking business mainly includes equity financing, bond financing, financial advisory, National Equities Exchange and Quotations listing and subsequent services, regional equity market services and other businesses.

The proprietary investment segment is engaged in diversified proprietary investments, transactions and market-making services in stocks, bonds, derivatives, equities and alternatives under the premise of value investments and stable operations.

The Company's overseas segment is mainly engaged in global securities and futures brokerage, institutional sales and research, corporate financing, fixed income, asset management and private wealth management in Hong Kong through the Company’s wholly-owned subsidiary - Industrial Securities (Hong Kong) and its holding company - Industrial Securities International.

The segment accounting policies are based on those used in the preparation of the Group's financial statements, except the internal capital expenditure for proprietary operations is determined on the basis of internal transfer prices and charged to operating expenses. Segment revenue and expenses are measured on the basis of actual transaction prices for each segment, except for inter-segment revenue and expenses from internal capital which are determined on the basis of internal transfer prices.

Assets are allocated based on the operations of the segments and the location of the assets. Liabilities are allocated based on the operations of the segments. Segment capital expenditure refers to the total expenditure arising from fixed assets, intangible assets and other long-term assets purchased by the segment during the accounting period.

The Group provides services in the Mainland China and Hong Kong. All of its external transaction income is derived from the Mainland China and Hong Kong. The Group’s assets are mainly located in Mainland China and Hong Kong.

The Group’s businesses do not carry out to specific clients; therefore, the Group does not have significant dependence on any single client.

	2022							
	Wealth management business							
	Securities and futures brokerage business	*Asset management business*	*Institutional services business*	*Proprietary trading business*	*Overseas operation*	*Others*	*Elimination among segments*	*Total*
Operating income								
Net fee and commission income/(expenses)	2,018,813,550.10	3,023,899,083.17	1,979,946,266.65	(3,773.27)	136,650,060.29	(14,329,560.26)	(8,086,044.56)	7,136,889,582.12
Investment (loss)/income	(28,180,957.83)	(8,790,295.94)	(181,814,940.19)	253,011,225.65	209,401,228.31	388,093,159.47	(380,724,140.57)	250,995,278.90
Others	1,801,148,030.38	374,254,946.24	805,380,470.99	593,270,277.82	(260,182,403.40)	731,292,324.88	(773,410,476.58)	3,271,753,170.33
Total operating income	3,791,780,622.65	3,389,363,733.47	2,603,511,797.45	846,277,730.20	85,868,885.20	1,105,055,924.09	(1,162,220,661.71)	10,659,638,031.35
Operating expenses	2,438,965,940.56	1,059,225,727.22	2,095,970,748.86	884,200,165.63	347,673,235.63	493,533,925.43	(779,720,661.71)	6,539,849,081.62
Operating profit/(loss)	1,352,814,682.09	2,330,138,006.25	507,541,048.59	(37,922,435.43)	(261,804,350.43)	611,521,998.66	(382,500,000.00)	4,119,788,949.73
Total assets	112,797,395,681.52	15,022,135,353.94	26,168,399,210.48	92,082,838,524.28	11,155,396,393.68	111,271,385,716.04	(122,638,253,159.48)	245,859,297,720.46
Total liabilities	109,598,444,077.54	6,159,790,788.24	26,368,517,971.28	84,126,002,126.83	7,502,429,145.35	65,326,266,763.10	(110,059,619,739.69)	189,021,831,132.65
Supplementary information								
Depreciation and amortisation	209,099,065.32	68,299,742.20	20,058,948.81	5,977,920.89	48,102,025.12	387,780,624.14	(1,004,619.92)	738,313,706.56
Capital expenditure	32,231,231.06	49,388,490.30	43,248,995.40	980,817.32	15,654,599.37	436,492,415.29	-	577,996,548.74
Impairment losses/(reversals) of credit/assets	(5,783,074.58)	292,933.54	(743,711.44)	153,380.16	70,958,528.96	2,785,738.80	-	67,663,795.44
- Credit losses/(reversals)	(5,783,074.58)	292,933.54	5,181,354.53	153,380.16	70,958,528.96	2,785,738.80	-	73,588,861.41
- Reversal of impairment of other assets	-	-	(5,925,065.97)	-	-	-	-	(5,925,065.97)

	2021							
	Wealth management business							
	Securities and futures brokerage business	Asset management business	Institutional services business	Proprietary trading business	Overseas operation	Others	Elimination among segments	Total
Operating income								
Net fee and commission income /(expenses)	2,544,324,928.87	4,890,129,341.33	2,481,152,394.45	(6,273.95)	215,954,323.77	(15,124,465.93)	(10,633,281.45)	10,105,796,967.09
Investment income	24,173,754.74	171,965,834.45	155,463,519.88	2,448,866,212.56	252,426,711.53	416,121,418.29	(290,610,336.52)	3,178,407,114.93
Others	1,611,615,618.98	254,598,189.91	3,101,109,869.81	970,640,142.10	(79,784,966.36)	622,975,731.77	(793,189,913.32)	5,687,964,672.89
Total operating income	4,180,114,302.59	5,316,693,365.69	5,737,725,784.14	3,419,500,080.71	388,596,068.94	1,023,972,684.13	(1,094,433,531.29)	18,972,168,754.91
Operating expenses	2,593,536,986.46	2,285,440,117.53	4,632,582,033.59	1,003,952,563.33	345,389,078.47	1,207,704,615.39	(804,433,531.29)	11,264,171,863.48
Operating profit/(loss)	1,586,577,316.13	3,031,253,248.16	1,105,143,750.55	2,415,547,517.38	43,206,990.47	(183,731,931.26)	(290,000,000.00)	7,707,996,891.43
Total assets	104,744,245,220.14	14,016,983,625.98	8,416,640,217.56	78,434,695,595.84	13,744,259,779.28	95,199,457,117.16	(97,092,940,585.00)	217,463,340,970.96
Total liabilities	96,768,750,637.59	6,196,443,721.41	8,423,773,213.70	69,659,570,115.60	10,075,485,649.37	66,234,981,397.25	(85,251,139,280.87)	172,107,865,454.05
Supplementary information								
Depreciation and amortisation	191,218,204.39	56,475,087.75	19,975,795.61	6,298,972.74	39,681,729.60	299,823,999.28	-	613,473,789.37
Capital expenditure	55,426,688.98	48,442,530.09	23,508,872.78	1,680,189.48	18,267,818.02	383,477,186.36	-	530,803,285.71
Impairment losses/(reversals) of credit/assets	(158,762,879.53)	(41,466.51)	(17,106,164.59)	29,073,088.91	80,399,133.41	2,344,984.00	-	(64,093,304.31)
- Credit losses/(reversals)	(158,762,879.53)	(41,466.51)	3,693,946.01	29,073,088.91	80,399,133.41	2,344,984.00	-	(43,293,193.71)
- Reversal of impairment of other assets	-	-	(20,800,110.60)	-	-	-	-	(20,800,110.60)

IX Related parties and related party transactions

1 The largest shareholder of the Company

(1) Information about the largest shareholder of the Company is as follows:

As at 31 December 2022 and 31 December 2021, information about the largest shareholder of the Company is as follows:

Name of the largest shareholder	*Registered place*	*Business nature*	*Shareholding percentage*
Fujian Provincial Department of Finance	Fuzhou	State-owned asset management, etc.	20.44%

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, please see Note V.1. Inter-company transactions and parent-subsidiary transactions of subsidiaries that have a controlling relationship and are included in the scope of the Company's consolidated financial statements have been eliminated.

3 Information about joint ventures and associates of the Group and the Company

For information about joint ventures and associates of the Group and the Company, please see Note VI.13(2).

4 Information on other related parties

(1) Legal persons with over 5% equity of the Company

As at 31 December 2022 and 31 December 2021, other than the largest shareholder of the Company, other corporate shareholders with over 5% equity of the Company are as follows:

Name of other related parties	*Relationship with the Company*
Fujian Province Investment Development Group Co., Ltd.	Shareholder with over 5% equity of the Company
Fujian Huaxing Group Co., Ltd.	Subsidiary of shareholders with over 5% equity of the Company
Fujian Financing Guarantee Co., Ltd.	Subsidiary of shareholders with over 5% equity of the Company
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen Xiangrong Investment Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen Gold Investment Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen International Bank Co.,Ltd.	Others (companies where other related parties act as directors, senior management)
Alltrust Insurance Company Limited	Others (companies where other related parties act as directors, senior management)
Shanghai Shenxin (Group) Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Haixia Goldenbridge Insurance Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Jin Jiang International Holdings Co.,Ltd.	Others (companies where other related parties act as directors, senior management)
Fuyao Glass Industry Group Co.,Ltd.	Others (companies where other related parties act as directors, senior management)
Related natural person	Mainly includes the Company's directors, supervisors, senior management and their close family members

Note: According to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, listed companies are exempted from disclosure for the provision of products and services to relevant connected natural persons on the same terms and conditions as transactions with non-connected persons.

5 Transactions with related parties

(1) Fee and commission income

Related party	*Transaction type*	*2022*	*2021*
Fujian Provincial Department of Finance	Income from securities trading business	74,242.69	-
Fujian Provincial Department of Finance	Income from securities underwriting business	33,018.86	1,558,528.23
Fujian Investment & Development Group Co., Ltd. and subsidiaries	Income from securities trading business	2,159,897.46	5,518,403.66
Fujian Investment & Development Group Co., Ltd. and subsidiaries	Income from securities underwriting business	1,603,773.58	5,663,565.21
Fujian Private Economy New Dynamic Equity Investment Partnership (Limited Partnership)	Fund management	3,234,039.71	917,632.27
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Fund management	-	12,228.12
Haixia Equity Exchange (Fujian) Co., Ltd.	Income from securities trading business	-	1,471.70
Haixia Equity Exchange (Fujian) Co., Ltd.	Asset management	-	1,912.45
Haixia Goldenbridge Insurance Co., Ltd.	Asset management	15,118.04	N/A
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership)	Fund management	-	1,917,407.19
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership)	Fund management	-	(845,112.72)
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership)	Performance rewards	-	5,688,542.20
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Income from securities underwriting business	414,896.22	285,014.15
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Income from securities trading business	-	19.55
Xiamen International Bank Co., Ltd.	Income from securities trading business	N/A	124,073.86
Xiamen Gold Investment Co., Ltd.	Income from futures trading business	73,012.55	0.20
Shanghai Shenxin (Group) Co., Ltd.	Income from securities trading business	119.01	22,945.43
Shanghai Shenxin (Group) Co., Ltd.	Asset management	194,233.47	26,579.23
Total		7,802,351.59	20,893,210.73

(2) Interest income

Related party	*Transaction type*	*2022*	*2021*
Fujian Provincial Department of Finance	Interest income from bonds	4,781,895.89	7,368,205.86
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Interest income from bonds	791,289.79	1,666,492.66
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Interest income from bonds	220,124.07	1,134,238.82
Xiamen International Bank Co., Ltd.	Interest income from bonds	N/A	29,742.47
Xiamen International Bank Co., Ltd.	Interest income from deposits	N/A	1,190,186.74
Jin Jiang International Holdings Co.,Ltd.	Interest income from bonds	3,264,150.94	-
Fuyao Glass Industry Group Co.,Ltd.	Interest income from bonds	56.60	-
Total		9,057,517.29	11,388,866.55

(3) Interest expenses

Related party	*Transaction type*	*2022*	*2021*
Fujian Provincial Department of Finance	Interest expenses for clients' margin account	1,682,623.29	208,228.18
Fujian Investment & Development Group Co., Ltd. and subsidiaries	Interest expenses for clients' margin account	199,964.42	347,982.91
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Interest expenses for clients' margin account	-	431.20
Haixia Equity Exchange (Fujian) Co., Ltd.	Interest expenses for clients' margin account	993.43	591.57
Xiamen Gold Investment Co., Ltd.	Interest expenses for clients' margin account	72,853.93	-
Xiamen International Bank Co., Ltd.	Interest expenses for clients' margin account	N/A	40,190.61
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Interest expenses for clients' margin account	242.98	4,981.30
Xiamen Xiangrong Investment Co., Ltd.	Interest expenses for clients' margin account	457.96	487.60
Shanghai Shenxin (Group) Co., Ltd.	Interest expenses for clients' margin account	27,631.40	10,204.27
Total		1,984,767.41	613,097.64

(4) Other operating expenses paid to related parties

Name of related party	*Transaction type*	*2022*	*2021*
Alltrust Insurance Company Limited	Insurance fees	N/A	164,477.75
Haixia Equity Exchange (Fujian) Co., Ltd.	OTC trading fees for carbon emission permits	20,511.14	3,817.80
Haixia Equity Exchange (Fujian) Co., Ltd.	Financial assets held for trading	1,050,000.00	-
Total		1,070,511.14	168,295.55

(5) Remuneration of key management personnel

Item	*2022* RMB'0000	*2021* RMB'0000
Remuneration of key management personnel	3,991.45	4,885.50

6 Related party transactions and their balances

(1) Receivables from related parties

Name of related party		*31 December 2022*	*31 December 2021*
Asset management products issued by related parties	Other receivables	103,633,208.84	137,515,614.33

(2) Payables to related parties

Name of related party	*Item*	*31 December 2022*	*31 December 2021*
Fujian Provincial Department of Finance	Accounts payable to brokerage and margin clients	771,245,188.71	73,453.07
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Accounts payable to brokerage and margin clients	27,058.25	174,201.98
Xiamen International Bank Co., Ltd.	Accounts payable to brokerage and margin clients	207.86	-
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Accounts payable to brokerage and margin clients	N/A	135,246.27
Xiamen Xiangrong Investment Co., Ltd.	Accounts payable to brokerage and margin clients	140,460.11	140,002.15
Shanghai Shenxin (Group) Co., Ltd.	Accounts payable to brokerage and margin clients	50,218,097.39	557,879.28
Total		821,631,012.32	1,080,782.75

(3) Balance of subscribed bonds issued by related parties

Name of related party	*Item*	*31 December 2022*	*31 December 2021*
Fujian Provincial Department of Finance	Financial assets held for trading	82,910,280.00	81,553,000.00
Fujian Province Investment Development Group Co., Ltd.	Financial assets held for trading	-	51,027,050.00
Fujian Provincial Department of Finance	Other debt investments	-	101,733,506.85
Total		82,910,280.00	234,313,556.85

7 Guarantees and commitments of the related parties

The Company commits to providing loans of up to RMB1 billion in total for China Industrial Securities Asset Management Co., Ltd., a subsidiary of the Company. As at 31 December 2022, the loan limit was not utilised by China Industrial Securities Asset Management Co., Ltd.

The Company commits to providing net capital guarantee of up to RMB3 billion in total for China Industrial Securities Asset Management Co., Ltd., a subsidiary of the Company. As at 31 December 2022, the net capital guarantee balance under this commitment is RMB200 million.

The Company commits to providing loans of up to RMB1.3 billion in total for China Industrial Securities Risk Management Co., Ltd., a subsidiary of the Company. As at 31 December 2022, the balance of loans provided by the Company to China Industrial Securities Risk Management Co., Ltd. is RMB1 billion.

The Company commits to providing a cross-border guarantee for a three-year USD300 million bond issued by its subsidiary, China Industrial Securities International Financial Group Limited, with a balance of USD340 million as at 31 December 2022, equivalent to RMB2.368 billion based on the spot exchange rate at the end of the reporting period, until the secured claims are fully satisfied.

During the reporting year, China Industrial Securities International Financial Group Limited, a subsidiary of the Group, provided guarantees for transactions involving CISI Investment Limited, a wholly-owned subsidiary, in the GMRA Agreement and the ISDA Agreement. As at 31 December 2022, the balance of guarantees totalled USD218 million, which was converted to RMB0.795 billion for subsidiaries based on spot exchange rates and equity ratio at the end of the reporting period.

X Commitments and contingencies

1 Commitments

As at 31 December 2022, the Group had no significant commitments.

2 Contingencies

As at 31 December 2022, the Group has no legal proceedings, arbitration or administrative proceedings that are materially expected to have a material adverse effect on the Group's financial position or results of operations.

XI Subsequent events

1 Dividends on ordinary shares proposed for distribution after the balance sheet date

As approved by the twelfth meeting of the sixth Board of Directors of the Company on 20 April 2022, the Company proposes to pay a cash dividend of RMB0.13 (including tax) per share to the ordinary shareholders, total RMB1,122,678,348.22. The proposal is subject to the approval of the shareholders' meeting.

2 Issuance of the corporate bonds

The Company completed the issuance of 2023 corporate bonds (phase I) (23 Industrial 01) on 21 February 2023, with an issuance size of RMB3 billion. The coupon rate is 2.95% and the maturity term is 2 years.

The Company completed the issuance of 2023 corporate bonds (phase II) (23 Industrial 02) on 12 April 2023, with an issuance size of RMB3 billion. The coupon rate is 3.06% and the maturity term is 3 years.

3 Providing guarantee

CISI Investment Limited, a wholly-owned subsidiary of Industrial Securities International, has entered into a guarantee with The Hongkong and Shanghai Banking Corporation. In order to support the business development, Industrial Securities International provides a guarantee to CISI Investment Limited for the amount not exceeding USD 200 million. The signing date of the guarantee is 14 March 2023.

XII Other significant items

1 Performance of social responsibilities

The Group fulfils its social responsibilities and the amounts it spent on charitable advertisement, donation to disaster relief, grant for education, charitable donation, etc. are as follows:

	2022	*2021*
Charitable donation	13,034,863.82	33,224,350.77
Grant for education	10,960,080.00	4,617,500.00
Total	23,994,943.82	37,841,850.77

2 Margin financing and securities lending

As at 31 December 2022 and 31 December 2021, the Group's margin financing and securities lending businesses are as follows:

	Note	*31 December 2022*	*31 December 2021*
Margin accounts	VI.3	28,647,296,679.84	34,458,474,418.54
Securities lending	VI.12	450,932,705.30	1,055,621,226.16
Total		29,098,229,385.14	35,514,095,644.70

3 Bond lending

As at 31 December 2022 and 31 December 2021, types and fair values of bonds borrowed from commercial banks by the Group are as follows:

Bond type	*31 December 2022*	*31 December 2021*
Treasury bonds	898,829,850.00	2,040,987,630.00

As at 31 December 2022 and 31 December 2021, the fair values of the bonds pledged for the sale of repurchase agreement business among the bonds obtained by the Group through borrowing were RMB0.00 and RMB2,040,987,630.00, respectively, and the fair values of bonds that were financial liabilities held for trading were RMB546,561,481.05 and RMB0.00, respectively.

4 Classification of financial instruments measurement basis

All the measurement basis for financial instruments adopted by the Groups are summarized in the table below

	Carrying amount at 31 December 2022					
		Measured at fair value through other comprehensive income		*Measured at fair value through profit or loss*		
Financial assets	*Financial assets measured at amortised cost*	*Financial assets measured at fair value through other comprehensive income*	*Investment in non-held-for-trading equity instrument designated at fair value through other comprehensive income*	*Financial assets classified at fair value through profit or loss*	*Financial assets designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial assets designated at fair value through profit or loss in accordance with Hedge Accounting*
Cash at bank and on hand	80,351,781,485.50	-	-	-	-	-
Balances with clearing companies	9,097,145,630.08	-	-	-	-	-
Margin accounts	28,647,296,679.84	-	-	-	-	-
Derivative financial assets	-	-	-	1,527,429,336.76	-	-
Refundable deposits	10,287,337,866.54	-	-	-	-	-
Accounts receivable	1,719,531,294.98	-	-	-	-	-
Financial assets held under resale agreements	10,008,368,010.57	-	-	-	-	-
Financial assets held for trading	-	-	-	62,627,148,846.67	-	-
Debt investments	2,213,669,284.85	-	-	-	-	-
Other debt investments	-	28,430,937,028.70	-	-	-	-
Other equity instruments investment	-	-	1,550,617,647.11	-	-	-
Other assets (financial assets)	1,120,205,331.17	-	-	-	-	-

	Carrying amount at 31 December 2021					
		Measured at fair value through other comprehensive income		*Measured at fair value through profit or loss*		
Financial assets	*Financial assets measured at amortised cost*	*Financial assets measured at fair value through other comprehensive income*	*Investment in non-held-for-trading equity instrument designated at fair value through other comprehensive income*	*Financial assets classified at fair value through profit or loss*	*Financial assets designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial assets designated at fair value through profit or loss in accordance with Hedge Accounting*
Cash at bank and on hand	66,854,433,851.14	-	-	-	-	-
Balances with clearing companies	6,612,407,979.83	-	-	-	-	-
Margin accounts	34,458,474,418.54	-	-	-	-	-
Derivative financial assets	-	-	-	268,756,832.59	-	-
Refundable deposits	9,181,176,019.72	-	-	-	-	-
Accounts receivable	1,691,381,835.04	-	-	-	-	-
Financial assets held under resale agreements	6,671,664,926.94	-	-	-	-	-
Financial assets held for trading	-	-	-	60,101,961,570.20	-	-
Other debt investments	-	22,132,859,754.95	-	-	-	-
Other assets (financial assets)	948,167,581.89	-	-	-	-	-

	Carrying amount at 31 December 2022			
		Measured at fair value through profit or loss		
Financial liabilities	*Financial liabilities at amortised cost*	*Financial liabilities classified at fair value through profit or loss*	*Financial liabilities designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial liabilities designated at fair value through profit or loss in accordance with Hedge Accounting*
Short-term loans	(894,080,331.23)	-	-	-
Short-term financing payables	(4,741,200,868.63)	-	-	-
Placements from banks and other financial institutions	(2,964,717,544.48)	-	-	-
Financial liabilities held for trading	-	(564,854,827.88)	(2,129,829,003.99)	-
Derivative financial liabilities	-	(513,835,867.92)	-	-
Financial assets sold under repurchase agreements	(30,106,890,871.79)	-	-	-
Accounts payable to brokerage and margin clients	(71,570,316,834.45)	-	-	-
Accounts payable	(15,594,137,059.50)	-	-	-
Debentures payable	(52,355,769,417.18)	-	-	-
Lease liabilities	(700,279,252.15)	-	-	-
Other liabilities (financial liabilities)	(715,434,355.83)	-	-	-

	Carrying amount at 31 December 2021			
		Measured at fair value through profit or loss		
Financial liabilities	*Financial liabilities at amortised cost*	*Financial liabilities classified at fair value through profit or loss*	*Financial liabilities designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial liabilities designated at fair value through profit or loss in accordance with Hedge Accounting*
Short-term loans	(433,448,118.55)	-	-	-
Short-term financing payables	(7,970,752,053.37)	-	-	-
Placements from banks and other financial institutions	(1,500,411,111.12)	-	-	-
Financial liabilities held for trading	-	(9,001,776.00)	(1,978,542,777.91)	-
Derivative financial liabilities	-	(474,744,342.04)	-	-
Financial assets sold under repurchase agreements	(30,245,317,379.95)	-	-	-
Accounts payable to brokerage and margin clients	(60,512,270,942.02)	-	-	-
Accounts payable to securities underwriting clients	(100,000,000.00)	-	-	-
Accounts payable	(5,764,636,707.72)	-	-	-
Debentures payable	(52,881,795,085.13)	-	-	-
Lease liabilities	(847,005,170.25)	-	-	-
Other liabilities (financial liabilities)	(347,897,700.30)	-	-	-

XIII Risk management

1 Risk management policy and risk governance structure

(1) Risk management policy

In 2022, the Company implemented a neutral yet prudent-leaning risk appetite strategy. Guided by the strategic goal of creating a first-class securities financial group, the company further improves its comprehensive risk management system in compliance with regulatory requirement, which enables the Company to cover, monitor, measure, analyse and respond to risks. Such improvements include sound organisational structure, operational management system, reliable information technology system, data management system, quantitative risk indicator system, professional talent team, effective risk response mechanism and sound risk management culture.

(2) Risk governance structure

The Group attaches great importance to comprehensive risk management, and actively complies with external requirements and based on the Group’s actual situation to establish a comprehensive risk management system that matches the Group’s development, including practical management system, sound organisational structure, reliable information technology system, quantitative comprehensive risk indicator system, professional team of talents and effective risk response mechanism.

The Group promotes comprehensive risk management based on the principles of comprehensiveness, adaptability and effectiveness. Comprehensive risk management covers all departments, branches and subsidiaries of the Group, covering all categories of risks and running through the entire process of decision-making, execution and supervision.

The Group formulated the "Comprehensive Risk Management System of Industrial Securities Company Limited" in accordance with the requirements of the "Regulation on the Comprehensive Risk Management of Securities Companies" and issued and implemented after approval by the Board of Directors, which is used to guide the Group's comprehensive risk management.

The Group’s comprehensive risk governance structure is composed of the Board of Directors, the Board of Supervisors, Operation Management, Risk Management Department, all departments, branches and subsidiaries (i.e. the Board of Directors and its Risk Control Committee, the Board of Supervisors - company’s Operation Management and its Risk Management Committee - Risk Management Department - all departments, branches and subsidiaries).

The Group has established three lines of defence for risk management, with the effective self-control by each department, branch and subsidiary as the first line of defence, the implementation of professional risk management by the risk management department before and during an event as the second line of defence subsequent supervision and evaluation by the audit department as the third line of defence. These “three lines of defence” in risk management governance structure is designed to effectively balance and limit the rights and responsibilities of risk management, and to guarantee the efficiency and effectiveness of risk management.

2 Risk analysis

The risks faced by the Group in its daily operations and management mainly include market risks, liquidity risks, credit risks and operational risk, etc. Through the establishment of the comprehensive risk management system, the company gradually optimises the organisational function, risk strategy, risk measure, and risk management process, cultivates risk culture, establishes scientific risk identification, monitoring, evaluation and control mechanism, and integrates risk management before, during, and after projects, ensuring that the risks are measurable, within control and bearable.

(1) Market risk

Market risk is the risk of loss due to adverse changes in the market faced by the Company. Market risks mainly include equity and other price risks, interest rate risks and exchange rate risks, etc.

(a) Equity and other price risks

Equity and other price risks refer to the risk of losses in equity and other investments made by the company due to asset price fluctuations. The company's equity and other price risks are mainly arising from the company's proprietary trading business involving securities investment. The company has established a risk indicator monitoring system including sensitivity analysis, Options Greeks, value at risk (VaR) and stress testing. Relevant indicators are monitored through daily position monitoring. When these indicators reach or exceed the risk limit authorised by the Company, measures including lightening of positions will be taken for risk control.

Sensitivity analysis

Assuming that the market price of the above investments increases or decreases by 10%, with all other variables held constant, the effect of these assets at the balance sheet on the Group's shareholders' equity and net profit is listed as follows:

	31 December 2022		*31 December 2021*	
	Shareholders' equity (RMB'000)	*Net profit* (RMB'000)	*Shareholders' equity* (RMB'000)	*Net profit* (RMB'000)
Market prices increase by 10%	1,757,848	1,757,848	1,642,251	1,642,251
Market prices decrease by 10%	(1,757,848)	(1,757,848)	(1,642,251)	(1,642,251)

The above sensitivity analysis may differ from actual result due to non-systematic risk of investment.

(b) Interest rate risk

Interest rate risk refers to the risk of fluctuation in the company's financial position, cash flow and price of fixed income proprietary investment arising from movements in market interest rate. The company's interest-bearing assets mainly include bank deposits, balances with clearing companies, Margin accounts, refundable deposits and bond investments, etc. The currency and maturity of customer deposits in securities brokerage and accounts payable to brokerage and margin clients match with each other. The currency and maturity structure of interest rate-sensitive assets and liabilities of corporate brokerage basically match. Therefore, the interest rate risk is within control. The company focuses its fixed income proprietary investment mainly in corporate bonds, enterprise bonds, etc. The company monitors interest rate risk through indicators such as duration, convexity, and basis point value. Possible losses arising from fixed income investment portfolios are assessed through stress testing mechanism.

The following tables indicate the interest rate risk of the Group on each balance sheet date. In the tables, financial assets and liabilities are presented at the carrying amount by the next expected repricing date or maturity date, whichever is earlier:

	31 December 2022					
	Within 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*
Financial assets						
Cash at bank and on hand	78,331,605,284.45	1,457,303,767.90	305,959,252.03	-	256,913,181.12	80,351,781,485.50
Balances with clearing companies	9,093,722,853.44	-	-	-	3,422,776.64	9,097,145,630.08
Margin accounts	10,785,153,873.40	17,496,285,063.30	-	-	365,857,743.14	28,647,296,679.84
Derivative financial assets	4,395,381.50	-	-	-	1,523,033,955.26	1,527,429,336.76
Refundable deposits	408,612,484.94	-	-	-	9,878,725,381.60	10,287,337,866.54
Accounts receivable	-	-	-	-	1,719,531,294.98	1,719,531,294.98
Financial assets held under resale agreements	8,355,156,635.45	1,279,840,767.43	353,724,211.38	-	19,646,396.31	10,008,368,010.57
Financial assets held for trading	2,296,549,862.40	3,585,170,737.56	18,050,175,995.99	3,313,822,189.95	35,381,430,060.77	62,627,148,846.67
Debt investments	-	-	2,176,545,940.17	-	37,123,344.68	2,213,669,284.85
Other debt investments	540,551,130.00	758,813,520.00	22,585,436,765.35	4,048,653,354.51	497,482,258.84	28,430,937,028.70
Other equity instrument investments	-	-	-	1,550,617,647.11	-	1,550,617,647.11
Other assets (financial assets)	-	-	-	-	1,120,205,331.17	1,120,205,331.17
Total financial assets	109,815,747,505.58	24,577,413,856.19	43,471,842,164.92	8,913,093,191.57	50,803,371,724.51	237,581,468,442.77
Financial liabilities						
Short-term loans	893,270,000.00	-	-	-	810,331.23	894,080,331.23
Short-term financing payables	1,644,990,000.00	3,083,845,961.05	-	-	12,364,907.58	4,741,200,868.63
Placements from banks and other financial institutions	2,964,000,000.00	-	-	-	717,544.48	2,964,717,544.48
Financial liabilities held for trading	542,398,200.00	-	18,293,346.83	-	2,133,992,285.04	2,694,683,831.87
Derivative financial liabilities	-	-	-	-	513,835,867.92	513,835,867.92
Financial assets sold under repurchase agreements	29,715,786,843.90	360,000,000.00	-	-	31,104,027.89	30,106,890,871.79
Accounts payable to brokerage and margin clients	71,570,316,834.45	-	-	-	-	71,570,316,834.45
Accounts payable	-	-	-	-	15,594,137,059.50	15,594,137,059.50
Debentures payable	6,575,380,000.00	12,179,615,232.00	32,564,490,069.25	239,510,400.00	796,773,715.93	52,355,769,417.18
Lease liabilities	75,623,855.72	191,581,029.47	432,773,664.05	300,702.91	-	700,279,252.15
Other liabilities (financial liabilities)	-	-	-	-	715,434,355.83	715,434,355.83
Total financial liabilities	113,981,765,734.07	15,815,042,222.52	33,015,557,080.13	239,811,102.91	19,799,170,095.40	182,851,346,235.03
Net exposure	(4,166,018,228.49)	8,762,371,633.67	10,456,285,084.79	8,673,282,088.66	31,004,201,629.11	54,730,122,207.74

	31 December 2021					
	Within 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*
Financial assets						
Cash at bank and on hand	64,506,641,845.98	1,724,733,196.13	199,967,628.62	-	423,091,180.41	66,854,433,851.14
Balances with clearing companies	6,608,595,543.58	-	-	-	3,812,436.25	6,612,407,979.83
Margin accounts	11,661,012,293.03	22,408,320,772.37	-	-	389,141,353.14	34,458,474,418.54
Derivative financial assets	2,631,482.08	-	-	-	266,125,350.51	268,756,832.59
Refundable deposits	7,468,925,800.77	-	-	-	1,712,250,218.95	9,181,176,019.72
Accounts receivable	-	-	-	-	1,691,381,835.04	1,691,381,835.04
Financial assets held under resale agreements	4,876,973,171.68	1,354,278,747.04	434,347,451.72	-	6,065,556.50	6,671,664,926.94
Financial assets held for trading	1,703,122,024.37	2,610,910,904.13	19,128,815,963.25	4,153,231,940.85	32,505,880,737.60	60,101,961,570.20
Other debt investments	50,935,000.00	437,209,800.00	13,685,203,790.00	7,445,173,300.00	514,337,864.95	22,132,859,754.95
Other assets (financial assets)	-	-	-	-	948,167,581.89	948,167,581.89
Total financial assets	96,878,837,161.49	28,535,453,419.67	33,448,334,833.59	11,598,405,240.85	38,460,254,115.24	208,921,284,770.84
Financial liabilities						
Short-term loans	433,328,000.00	-	-	-	120,118.55	433,448,118.55
Short-term financing payables	415,726,059.00	7,514,990,000.00	-	-	40,035,994.37	7,970,752,053.37
Placements from banks and other financial institutions	1,500,000,000.00	-	-	-	411,111.12	1,500,411,111.12
Financial liabilities held for trading	-	-	-	-	1,987,544,553.91	1,987,544,553.91
Derivative financial liabilities	-	-	871,865.47	-	473,872,476.57	474,744,342.04
Financial assets sold under repurchase agreements	30,228,129,887.92	-	-	-	17,187,492.03	30,245,317,379.95
Accounts payable to brokerage and margin clients	60,512,270,942.02	-	-	-	-	60,512,270,942.02
Accounts payable to securities underwriting clients	-	-	-	-	100,000,000.00	100,000,000.00
Accounts payable	-	-	-	-	5,764,636,707.72	5,764,636,707.72
Debentures payable	3,000,000,000.00	12,550,042,328.26	36,823,155,031.10	-	508,597,725.77	52,881,795,085.13
Lease liabilities	65,238,084.20	202,444,874.56	578,809,622.70	512,588.79	-	847,005,170.25
Other liabilities (financial liabilities)	-	-	-	-	347,897,700.30	347,897,700.30
Total financial liabilities	96,154,692,973.14	20,267,477,202.82	37,402,836,519.27	512,588.79	9,240,303,880.34	163,065,823,164.36
Net exposure	724,144,188.35	8,267,976,216.85	(3,954,501,685.68)	11,597,892,652.06	29,219,950,234.90	45,855,461,606.48

The following table shows the impact on net profit and shareholders' equity based on the structure of financial assets and financial liabilities at balance sheet date, arising from yield curve shifting upward or downward parallel by 25 basis points at the same time.

	31 December 2022		*31 December 2021*	
	Shareholders' equity (RMB'000)	*Net profit* (RMB'000)	*Shareholders' equity* (RMB'000)	*Net profit* (RMB'000)
The yield curve shifts upward by 25 basis points	(495,816)	(238,349)	(663,680)	(301,151)
The yield curve shifts downward by 25 basis points	500,355	240,685	669,225	303,478

The above prediction assumes that yield curves of assets and liabilities with all maturities shift upward or downward parallel. Therefore, it does not reflect the potential impact when certain yields change but the others remain constant. Such prediction is also based on other simplified assumptions, including that all positions will be held to maturity.

The Group considers that this assumption does not represent the Group's capital utilisation and interest rate risks management policies, and therefore these impacts may differ from actual results.

In addition, the above impact analysis of interest rate changes is just an example, which shows estimated changes in net profit and other comprehensive income under each expected revenue curve and the current interest rate risk of the Group. However, the impact does not consider the risk management activities that the management may take to reduce interest rate risk.

(c) Foreign currency risk

Foreign currency risk is the risk of the Group's foreign currency transactions arising from fluctuations in the exchange rate. The Company is exposed to foreign currency risk due to its business such as Hong Kong Stock Exchange. The Company monitors and manages foreign currency risk on an ongoing basis.

As foreign currency transactions accounted for a relatively low proportion of the Group's total assets, liabilities and income, the Group's foreign exchange risk was not significant and therefore no sensitivity analysis was conducted.

(2) Liquidity risk

Liquidity risk refers to the risk of securities firms not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform other payment obligations and meet the capital requirements of normal business. With the increase of leverage in the Company's business, the Company may face an increasing maturity mismatch of its assets and liabilities, which may result in a certain degree of liquidity risks in the future. The Company has established a liquidity risk management system with risk limits and warning indicators. The Company sets the risk limits and monitor liquidity risks in adjust to its business, nature, complexity, risk appetite and changes in the market, so as to ensure that the liquidity coverage ratio and net stable funding ratio meet the regulatory requirements constantly. 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 set out the remaining contractual maturities at the balance sheet date of the Group's financial liability, which 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 year) and the earliest date the Group can be required to pay:

	31 December 2022							
	On demand	*Within 1 months*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Total*	*Carrying amount at balance sheet date*
Short-term loans	-	898,087,436.07	-	-	-	-	898,087,436.07	894,080,331.23
Short-term financing payables	-	689,141,487.55	962,903,578.05	3,107,680,990.34	-	-	4,759,726,055.94	4,741,200,868.63
Placements from banks and other financial institutions	-	2,965,046,811.15	-	-	-	-	2,965,046,811.15	2,964,717,544.48
Financial liabilities held for trading	537,939,535.82	1,075,410,512.24	-	441,915,662.22	639,418,121.59	-	2,694,683,831.87	2,694,683,831.87
Derivative financial liabilities	533,500.00	145,629,827.16	148,509,252.35	135,136,386.26	83,409,414.71	617,487.44	513,835,867.92	513,835,867.92
Financial assets sold under repurchase agreements	1,386,955,320.59	27,548,866,072.52	820,988,208.39	365,522,328.77	-	-	30,122,331,930.27	30,106,890,871.79
Accounts payable to brokerage and margin clients	71,570,316,834.45	-	-	-	-	-	71,570,316,834.45	71,570,316,834.45
Accounts payable	1,599,853,912.29	539,407,983.41	562,664,419.91	4,234,869,064.16	8,657,341,679.73	-	15,594,137,059.50	15,594,137,059.50
Debentures payable	-	3,812,690,000.00	3,154,752,185.75	13,294,729,850.38	33,527,419,501.88	239,510,400.00	54,029,101,938.01	52,355,769,417.18
Lease liabilities	-	47,107,780.98	34,469,929.83	206,178,197.33	450,246,504.74	308,700.00	738,311,112.88	700,279,252.15
Other liabilities (financial liabilities)	683,958,211.65	468,462.85	31,843,237.31	940,919.18	-	-	717,210,830.99	715,434,355.83
Net position	75,779,557,314.80	37,721,856,373.93	5,716,130,811.59	21,786,973,398.64	43,357,835,222.65	240,436,587.44	184,602,789,709.05	182,851,346,235.03

	31 December 2021							
	On demand	*Within 1 months*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Total*	*Carrying amount at balance sheet date*
Short-term loans	-	434,267,741.58	-	-	-	-	434,267,741.58	433,448,118.55
Short-term financing payables	-	266,757,184.82	150,738,216.45	7,637,346,041.50	-	-	8,054,841,442.77	7,970,752,053.37
Placements from banks and other financial institutions	-	1,500,719,444.44	-	-	-	-	1,500,719,444.44	1,500,411,111.12
Financial liabilities held for trading	703,704,832.90	495,528,757.81	-	35,766,714.29	752,544,248.91	-	1,987,544,553.91	1,987,544,553.91
Derivative financial liabilities	2,413,100.00	17,336,573.67	36,305,329.86	337,502,585.60	81,186,752.91	-	474,744,342.04	474,744,342.04
Financial assets sold under repurchase agreements	1,176,685,399.66	28,724,414,122.83	365,721,170.47	-	-	-	30,266,820,692.96	30,245,317,379.95
Accounts payable to brokerage and margin clients	60,512,270,942.02	-	-	-	-	-	60,512,270,942.02	60,512,270,942.02
Accounts payable to securities underwriting clients	100,000,000.00	-	-	-	-	-	100,000,000.00	100,000,000.00
Accounts payable	2,674,978,438.05	17,456,273.97	120,939,754.28	2,081,589,071.05	869,673,170.37	-	5,764,636,707.72	5,764,636,707.72
Debentures payable	-	120,750,000.00	3,216,000,000.00	13,967,315,604.48	38,564,554,202.21	-	55,868,619,806.69	52,881,795,085.13
Lease liabilities	-	41,642,292.89	30,595,172.87	220,979,191.91	609,608,815.79	515,007.15	903,340,480.61	847,005,170.25
Other liabilities (financial liabilities)	312,163,953.38	4,854,844.38	34,141,577.63	513,822.74	33,900.00	-	351,708,098.13	347,897,700.30
Net position	65,482,216,666.01	31,623,727,236.39	3,954,441,221.56	24,281,013,031.57	40,877,601,090.19	515,007.15	166,219,514,252.87	163,065,823,164.36

(3) Credit risk

Credit risk is the risk caused by debtors or counterparties failing to perform their contractual obligations.

The Company mainly faces four types of credit risks: (i) credit risk of brokerage business, namely the agent service for customers to carry out securities trading and futures trading. If the customers are not required to pay sufficient margin deposits in advance, but do not have sufficient funds to pay for the transaction at the settlement date, or face financing gaps due to other factors, the Company have to bear the credit losses from undertaking the settlement responsibility on behalf of customers; (ii) default risk of bond investments, namely the risk of asset loss and income change caused by the default and refusal of issuer of bonds invested to repay the principal and interest due; (iii) counterparty credit risk, namely the risk of the Company suffering from loss caused by the counterparty's failure to perform its contractual obligations. The Company's counterparty credit risk is mainly concentrated on interest rate swaps business and over-the-counter derivatives business; (iv) credit risk of financing business, namely loss caused by the customers' failure to make the full and timely repayment of the liability as agreed in the contract. Financing business is a general name of three businesses, i.e. margin trading and short selling business, contracted repurchasing securities trading business, and stock-pledged financing business.

For the credit risks arising from brokerage business, the Company carries out securities trading on behalf of customers in the settlement of full margin deposits. Through this way, the settlement risk related to trading volume is significantly under control. For the bonds repurchase business conducted by the customers, the Company has strict requirements on the qualification of customers that apply for conducting repurchase business, it controls the proportion of standard bonds and repurchase arbitrage multiple used by the customers, and assigns designated person to monitor on a real-time basis, so as to contact with customers and resolve the risk in time.

For default risk of bond investments, the Company has formulated Operating Procedures for Internal Rating of Fixed Income Investment of Industrial Securities Co., Ltd.. The Company has strict requirements on bond ratings when making investments. In addition to external credit ratings, the Company developed internal credit rating model of bonds to assess the internal rating of the bonds invested by the Company. Through the comprehensive analysis and dynamic comparison between internal ratings and external ratings, the Company closely monitors the operations and credit level of bond issuers to identify credit risks in advance, modify the investment structure and avoid default risks. Besides, for the concentration risk of bond investments, the Company has established corresponding thresholds monitoring system and implemented decentralized investment strategy to avoid significant loss caused by the decrease of credit rating or default of a single bond. During the reporting period, defaults occurred under the Company's bonds invested, against which the Company has commenced litigation and applied for property preservation.

For counterparty credit risk, the Company will investigate and study potential counterparties in advance to set up internal ratings and credit limits respectively according to their industry position, asset scale and operations. During the reporting period, no scale of business developed between the Company and its counterparties exceeded the limits.

For credit risk of financing business, the Company has established customer qualification review mechanism according to internal and external regulations to review customers' financial position, credit status, financing purpose, risk tolerance and their sensitivity to the fluctuation of securities market. The Company has also established project risk management evaluation system to assess customers' willingness and capability to repay, the probability of default and the related possible loss so as to put a limit on their transaction amount; the Company analyses the credit status of customers' financing project and controls the business scale of individual investors and securities , based on the analysis of customers' entities; the Company also takes related risk data as key monitoring values and designs early warning thresholds for risk management in the monitoring system to conduct daily monitoring and warning; the Company has established quantitative analysis system for credit risks to assess credit risks through stress testing and other approaches. During the reporting period, defaults by customers occurred under the Company's financing business. The Company dealt with these defaults through negotiation with customers, or abiding by agreement terms to mitigate risk.

The Company establishes expected credit loss model to measure impairment loss of financial instruments by comprehensively considering the time value of money and reasonable and supportable information that could be obtained at the balance sheet date without undue cost or effort about past events, current conditions and forecasts of future economic conditions based on the probability-weighted average, in adjust to the classification and nature of financial instruments and its risk management practice.

The Company classifies the impairment stage based on individual financial instrument or financial instrument portfolio to effectively monitor credit risks and make regular adjustment: (1) Stage 1: financial instruments with low credit risk as at the balance sheet date or no significant increase in credit risk since initial recognition, impairment provision for which shall be measured by an amount equal to the next 12 months expected credit loss (or within the expected duration if it is less than 12 months); (2) Stage 2: financial instruments of which credit risk has increased significantly since initial recognition, but no credit impairment has occurred, i.e. no objective evidence of credit loss for financial instrument, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss; (3) Stage 3: financial instruments that have become credit-impaired subsequent to initial recognition, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss.

The Company adopts the probability of default/loss given default method and loss rate method to measure expected credit losses based on the risk characteristics and information of the assets. The probability of default/loss given default method refers to the method of measuring expected credit losses by estimating the exposure at default (EAD), probability of default (PD), and loss given default (LGD) of a single asset or asset portfolio. The loss rate method refers to the method of directly estimating the loss rate to measure the expected credit losses without estimating the probability of default and the loss given default. When measuring expected credit loss, the Company considers forward-looking information that is relevant and available without undue cost or effort, including macroeconomic factors, industrial policies and industrial environment, based on which, the Company determines adjustment coefficient and adjusts measurement result of expected credit loss.

The impairment loss of asset arising from the Company's stock-pledged financing business is measured by adopting probability of default/loss given default method.

(1) According to the classification criteria, the impairment stage is classified as the stage 3 if any of the following conditions is met: current performance guarantee percentage lower than 100%; over 30 days overdue; asset that meets other internal definitions of default. The impairment stage is classified as stage 2 where none of the conditions of stage 3 is met but any of the following conditions is: current performance guarantee percentage lower than minimum performance guarantee percentage but higher than or equal to 100%; less than 30 days (included) overdue; asset that meets other internal definitions of significant increase in credit loss. Stage 1: asset that does not meet conditions of stage 2 and stage 3.

(2) The method of impairment measurement: the impairment provision for the Company's stock-pledged financing business is determined according to the product of probability of default, loss given default and exposure at default after a forward-looking adjustment is made. For stock-pledged financing business with no credit impaired, the probability of default is estimated and set up by roll rate analysis modelling; the loss given default is estimated and set up based on industrial benchmark experience. For stock-pledged financing business with credit impaired, the amount of impairment loss is determined based on specific identification method. When evaluating expected receivable cash flows, the Company shall consider credit status and repayment ability of debtors and make comprehensive assessment on collateral status and other factors.

(a) Maximum exposure to credit risk

The maximum credit risk exposure at the balance sheet date without taking account of any collateral and other credit enhancements refers to the carrying value of the relevant financial assets after impairment provision. The Group's maximum exposure to credit risk amounts is set out below:

	31 December 2022	*31 December 2021*
Cash at bank and on hand	80,351,781,485.50	66,854,433,851.14
Balances with clearing companies	9,097,145,630.08	6,612,407,979.83
Margin accounts	28,647,296,679.84	34,458,474,418.54
Derivative financial assets	1,527,429,336.76	268,756,832.59
Refundable deposits	10,287,337,866.54	9,181,176,019.72
Accounts receivable	1,719,531,294.98	1,691,381,835.04
Financial assets held under resale agreements	10,008,368,010.57	6,671,664,926.94
Financial assets held for trading	39,049,868,008.29	38,042,495,683.64
Debt investments	2,213,669,284.85	-
Other debt investments	28,430,937,028.70	22,132,859,754.95
Other assets (financial assets)	1,120,205,331.17	948,167,581.89
Total maximum exposure to credit risk amounts	212,453,569,957.28	186,861,818,884.28

(4) Operational risk

Operational risk refers to the risk of direct or indirect losses arising from inadequate or problematic internal procedures, staffing, systems or external events.

In order to prevent such operational risk, the Company establishes a complete corporate governance structure and internal control system and sets up a complete operational risk identification and evaluation system to identify and evaluate the Group's operational risk points and gradually improves measurement methods of operational risks to reduce probability of operational risks. The Company establishes an operational risk management system and gradually promotes on a pilot basis. It also gradually carries out self-assessment of operational risk and control, monitoring of key risk indicators and gathering of risk events and loss data and other approaches to optimize operational risk management through the application of systematic tools, collection and analysis of risk information of each business process and early warning of operational risk. During the reporting period, the reporting management of key risk indicators and monthly risk reports was further strengthened.

(5) Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditure and risk level. Adjustments are made to the capital structure in light of changes in the factors mentioned above affecting the Group.

On 23 January 2020, the China Securities Regulatory Commission ("CSRC") issued the *Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies*, which came into force on 1 June 2020. Then On 20 March 2020, the CSRC issued the *Administrative Measures for the Risk Control Indicators of Securities Companies (Revision 2020)*, which came into force on 20 March 2020. The risk control indicators and criteria were revised in relevant regulations that securities companies must keep reviewing. The Company keeps to meet the criteria for risk control indicators constantly.

(6) Transfer of financial assets

In the ordinary course of business, the Group transfers recognised financial assets to third parties or clients during some transactions, but retains the risks and rewards of the transferred financial assets. Therefore, the Group does not derecognise such financial assets in the balance sheet.

The Group receives payments from the transfer of investment in financial assets held for trading to counterparties and has signed agreements to repurchase such assets. According to the agreements, the counterparties have the right to receive contractual cash flows during the term of the agreements and use such securities again as collateral, and are obliged to return such securities to the Group on the due date specified in the agreements. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognise such financial assets in the balance sheet.

As at 31 December 2022, financial assets transferred but not derecognised and their related liabilities are as follows:

	Financial assets held for trading		*Total*
	Securities lending	*Financial assets sold under outright repurchase agreements*	
Carrying amount of transferred assets	354,913,406.00	-	354,913,406.00
Carrying amount of related liabilities	-	-	-
Net position	354,913,406.00	-	354,913,406.00

As at 31 December 2021, financial assets transferred but not derecognised and their related liabilities are as follows:

	Financial assets held for trading		*Total*
	Securities lending	*Financial assets sold under outright repurchase agreements*	
Carrying amount of transferred assets	586,982,242.30	-	586,982,242.30
Carrying amount of related liabilities	-	-	-
Net position	586,982,242.30	-	586,982,242.30

XIV Fair values of financial assets and liabilities

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1 Fair value of assets and liabilities measured at fair value at the end of the year

	Note	*31 December 2022* *Level 1*	*Level 2*	*Level 3*	*Total*
Recurring fair value measurements					
Assets					
Financial assets held for trading	VI.8				
- Bonds		1,207,914,148.81	25,988,729,309.76	735,918,998.46	27,932,562,457.03
- Public offering funds		17,381,641,486.57	99,590,631.57	-	17,481,232,118.14
- Stocks		4,579,961,456.45	880,025,745.02	349,668,192.45	5,809,655,393.92
- Wealth management products issued by banks		24,335,308.51	102,215,720.18	-	126,551,028.69
- Asset management products issued by securities firms		137,569,510.53	503,044,725.41	-	640,614,235.94
- Trust schemes		-	19,959,714.64	145,000,052.61	164,959,767.25
- Asset management plans and others		-	6,638,867,298.12	3,832,706,547.58	10,471,573,845.70
Other debt investments	VI.10	337,186,920.00	28,093,750,108.70	-	28,430,937,028.70
Investments in other equity instruments	VI.11	-	1,550,617,647.11	-	1,550,617,647.11
Derivative financial assets	VI.4	481,325.00	1,526,948,011.76	-	1,527,429,336.76
Total assets measured at fair value on a recurring basis		23,669,090,155.87	65,403,748,912.27	5,063,293,791.10	94,136,132,859.24
Liabilities					
Financial liabilities held for trading	VI.24	-	2,694,683,831.87	-	2,694,683,831.87
Derivative financial liabilities	VI.4	533,500.00	513,302,367.92	-	513,835,867.92
Total liabilities measured at fair value on a recurring basis		533,500.00	3,207,986,199.79	-	3,208,519,699.79

	Note	*31 December 2021* *Level 1*	*Level 2*	*Level 3*	*Total*
Recurring fair value measurements					
Assets					
Financial assets held for trading	VI.8				
- Bonds		1,374,452,164.65	26,221,707,344.47	774,744,431.25	28,370,903,940.37
- Public offering funds		12,801,467,895.65	275,574,872.28	-	13,077,042,767.93
- Stocks		9,754,641,394.75	942,656,112.67	463,611,546.01	11,160,909,053.43
- Wealth management products issued by banks		335,495,865.30	5,156,984.30	-	340,652,849.60
- Asset management products issued by securities firms		81,925,369.23	450,720,754.52	-	532,646,123.75
- Trust schemes		-	497,100.00	206,024,318.91	206,521,418.91
- Asset management plans and others		-	4,260,173,442.57	2,153,111,973.64	6,413,285,416.21
Other debt investments	VI.10	227,475,012.61	21,905,384,742.34	-	22,132,859,754.95
Derivative financial assets	VI.4	-	268,756,832.59	-	268,756,832.59
Total assets measured at fair value on a recurring basis		24,575,457,702.19	54,330,628,185.74	3,597,492,269.81	82,503,578,157.74
Liabilities					
Financial liabilities held for trading	VI.24	9,001,776.00	1,978,542,777.91	-	1,987,544,553.91
Derivative financial liabilities	VI.4	2,413,100.00	471,459,376.57	871,865.47	474,744,342.04
Total liabilities measured at fair value on a recurring basis		11,414,876.00	2,450,002,154.48	871,865.47	2,462,288,895.95

2 Basis of determining the market price for recurring and non-recurring fair value measurements categorised within Level 1

For financial assets held for trading, financial liabilities held for trading, and other debt instruments, their fair value is determined by the closing price of the active market at the last trading day before the balance sheet date.

3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 2

The fair value of financial assets held for trading, financial liabilities held for trading, and other debt investments is the quoted price in the valuation system of relevant bond registration and settlement institutions. The relevant quotation institutions use observable inputs reflecting market conditions in the process of quotation.

For investments in debt instrument, equity instrument and structural entity without an active market under the financial assets held for trading, other debt investments, and investments in other equity instruments, which are determined by valuation techniques. The observable inputs required for the valuation technique include, but are not limited to, valuation parameters such as yield curves and net asset values.

For forward and swap interest rate derivative contracts under the derivative financial assets and liabilities, their fair value is determined by the discount value of future cash flows at market rate according to the provisions and maturity date of each contract. The fair value of derivatives embedded in swap contracts is determined by the return calculated by relevant quoted market prices. The fair value of option business is determined by option pricing model.

4 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The Group has established processes to determine appropriate valuation techniques and inputs for Level 3 fair value measurements. The risk management department of the Group regularly reviews relevant processes and the appropriateness of fair value determination.

Quantitative information about Level 3 fair value measurements is as follows:

	Fair value at 31 December 2022	*Main valuation techniques*	*Unobservable inputs*	*Effect on fair value*
Financial assets held for trading				
Bonds	735,918,998.46	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Stocks	349,668,192.45	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Trust schemes	145,000,052.61	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Unlisted equity and private funds	3,593,628,307.20	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted equity	239,078,240.38	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value

	Fair value at 31 December 2021	*Main valuation techniques*	*Unobservable inputs*	*Effect on fair value*
Financial assets held for trading				
Bonds	774,744,431.25	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Stocks	463,611,546.01	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Trust schemes	206,024,318.91	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Unlisted equity and private funds	1,953,696,225.63	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted equity	199,415,748.01	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Derivative financial liabilities				
Credit derivatives	871,865.47	Interest rate spread approach	Debt spread	The higher the spread, the lower the fair value

5 Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements

(1) Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements:

				Total gains or losses for the year		Purchases, issues, sales and settlements					
	Balance at 31 December 2021	*Transfer into Level 3*	*Transfer out of Level 3*	*Included in profit or loss (Note)*	*Included in other comprehensive income (Note)*	*Purchases*	*Issues*	*Sales*	*Settlements*	*Balance at 31 December 2022*	*Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the year*
Assets											
Financial assets held for trading											
- Bonds	774,744,431.25	91,841,653.95	(184,377,023.25)	77,394,818.71	-	-	-	-	(23,684,882.20)	735,918,998.46	73,467,895.71
- Stocks	463,611,546.01	3,522,983.52	(25,947,964.63)	(44,287,474.21)	-	-	-	(47,230,898.24)	-	349,668,192.45	(65,273,592.94)
- Trust schemes	206,024,318.91	-	-	16,615,929.38	-	1,000,000.00	-	-	(78,640,195.68)	145,000,052.61	3,615,817.19
- Asset management plans	2,153,111,973.64	157,005,015.82	-	1,094,902,957.82	-	450,525,365.59	-	(12,694,800.73)	(10,143,964.56)	3,832,706,547.58	1,101,998,033.25
Derivative financial liabilities											
- Credit derivatives	(871,865.47)	-	-	(4,542,469.82)	-	-	-	-	5,414,335.29	-	-
Total	3,596,620,404.34	252,369,653.29	(210,324,987.88)	1,140,083,761.88	-	451,525,365.59	-	(59,925,698.97)	(107,054,707.15)	5,063,293,791.10	1,113,808,153.21

				Total gains or losses for the year		Purchases, issues, sales and settlements					
	Balance at 31 December 2020	*Transfer into Level 3*	*Transfer out of Level 3*	*Included in profit or loss (Note)*	*Included in other comprehensive income (Note)*	*Purchases*	*Issues*	*Sales*	*Settlements*	*Balance at 31 December 2021*	*Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the year*
Assets											
Financial assets held for trading											
- Bonds	150,195,641.09	573,918,408.00	-	(14,018,822.84)	-	64,649,205.00	-	-	-	774,744,431.25	(11,720,918.04)
- Stocks	378,609,139.25	12,728,353.29	(1,875,096.00)	102,726,774.16	-	26,557,565.49	-	(55,135,190.18)	-	463,611,546.01	109,264,734.72
- Trust schemes	191,896,094.22	-	-	14,526,408.27	-	188,626,398.67	-	-	(189,024,582.25)	206,024,318.91	1,837,796.75
- Asset management plans	2,018,038,931.96	97,525,511.28	(166,693,186.55)	35,117,227.47	-	254,653,068.17	-	(63,540,611.70)	(21,988,966.99)	2,153,111,973.64	20,657,537.82
Derivative financial liabilities											
- Credit derivatives	(2,195,498.74)	-	-	1,323,633.27	-	-	-	-	-	(871,865.47)	-
Total	2,736,544,307.78	684,172,272.57	(168,568,282.55)	139,675,220.33	-	534,486,237.33	-	(118,675,801.88)	(211,013,549.24)	3,596,620,404.34	120,039,151.25

Note: The above gains or losses for the period included in profit or loss or other comprehensive income are as follows:

	2022	*2021*
Realised gains or losses included in profit or loss for the period		
- Investment income/(losses)	5,685,495.74	(94,206,419.75)
Unrealised gains or losses included in profit or loss for the period		
- Gains from changes in fair value	1,134,398,266.14	233,881,640.08
Total	1,140,083,761.88	139,675,220.33

6 Transfers between different levels of items measured at recurring fair value measurements

In 2022, the financial assets measured at fair value transferred into Level 3 of the Group amounted to RMB252,369,653.29, and transferred out Level 3 of the Group amounted to 210,324,987.88, which were mainly unlisted equity investments and shares held in accordance with the relevant system to convert the valuation method.

7 Current changes in valuation techniques and the reasons

As at 31 December 2022 and 31 December 2021, there were no significant changes in valuation techniques for the fair value measurements.

8 Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2022 and 31 December 2021 except as follows:

	31 December 2022		*Fair value measurements at 31 December 2022 categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Debentures payable	52,355,769,417.18	52,924,535,415.30	-	52,924,535,415.30	-

	31 December 2021		*Fair value measurements at 31 December 2021 categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Debentures payable	52,881,795,085.13	53,191,446,930.77	-	53,191,446,930.77	-

XV Notes to the Parent Company's financial statements

1 Long-term equity investments

(1) Long-term equity investments by category:

	31 December 2022			*31 December 2021*		
Item	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Investments in subsidiaries	11,675,894,052.67	-	11,675,894,052.67	10,977,694,052.67	-	10,977,694,052.67
Investments in associates	125,708,386.23	-	125,708,386.23	89,015,226.76	-	89,015,226.76
Total	11,801,602,438.90	-	11,801,602,438.90	11,066,709,279.43	-	11,066,709,279.43

The Company has no material restriction on transfers of funds to investees.

(2) Investments in subsidiaries

Subsidiary	Balance at 1 January 2022	Additions during the year	Decrease during the year	Balance at 31 December 2022	Provision made during the year	Balance of provision for impairment at the end of the year
Aegon-Industrial Fund	62,428,839.73	-	-	62,428,839.73	-	-
Industrial Securities Futures	1,211,411,012.94	398,200,000.00	-	1,609,611,012.94	-	-
Xingye Chuangxin Capital Management Co., Ltd.	700,000,000.00	-	-	700,000,000.00	-	-
Industrial Securities (Hong Kong)	2,503,354,200.00	-	-	2,503,354,200.00	-	-
Fuzhou Xingzheng Property Management Co., Ltd.	500,000.00	-	-	500,000.00	-	-
China Industrial Securities Asset Management Co., Ltd.	800,000,000.00	-	-	800,000,000.00	-	-
China Industrial Securities Investment Management Co., Ltd.	5,700,000,000.00	300,000,000.00	-	6,000,000,000.00	-	-
Total	10,977,694,052.67	698,200,000.00	-	11,675,894,052.67	-	-

For information about the subsidiaries of the Company, refer to Note V.1.

(3) Investments in associates

Investee	Balance at 1 January 2022	Movements during the year								Balance at 31 December 2022	Balance of provision for impairment at the end of the year
		Increase in investments	Decrease in investments	Investment income under equity method	Other comprehensive income	Other equity movements	Declared distribution of cash dividends or profits	Provisions for impairment	Others		
Haixia Equity Exchange (Fujian) Co., Ltd.	89,015,226.76	31,100,000.00	-	5,593,159.47	-	-	-	-	-	125,708,386.23	-

2 Employee benefits payable

	Note	*31 December 2022*	*31 December 2021*
Employee benefits	(1)	2,588,191,440.79	3,744,706,495.24
Post-employment benefits - defined contribution plans	(2)	9,944,684.04	10,717,935.89
Total		2,598,136,124.83	3,755,424,431.13

(1) Employee benefits

	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Salaries, bonuses, allowances and subsidies	3,728,160,257.33	1,864,749,608.13	(3,022,823,818.59)	2,570,086,046.87
Staff welfare	-	30,750,505.16	(30,750,505.16)	-
Social insurance	(15,435.45)	162,653,538.90	(162,551,517.36)	86,586.09
- Medical insurance	(17,692.84)	151,807,239.01	(151,731,098.20)	58,447.97
- Work-related injury insurance	7,646.49	2,697,223.19	(2,697,575.70)	7,293.98
- Maternity insurance	(5,389.10)	8,113,564.88	(8,087,331.64)	20,844.14
- Other social insurance	-	35,511.82	(35,511.82)	-
Housing fund	(42,287.55)	183,636,251.44	(183,618,304.18)	(24,340.29)
Labour union fee, staff and workers' education fee	16,603,960.91	40,899,333.92	(39,460,146.71)	18,043,148.12
Others	-	7,354,060.64	(7,354,060.64)	-
Total	3,744,706,495.24	2,290,043,298.19	(3,446,558,352.64)	2,588,191,440.79

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Salaries, bonuses, allowances and subsidies	3,649,194,308.86	3,069,655,288.15	(2,990,689,339.68)	3,728,160,257.33
Staff welfare	-	32,933,009.34	(32,933,009.34)	-
Social insurance	79,624.39	117,307,448.23	(117,402,508.07)	(15,435.45)
- Medical insurance	16,280.23	107,824,352.74	(107,858,325.81)	(17,692.84)
- Work-related injury insurance	7,841.89	2,091,923.48	(2,092,118.88)	7,646.49
- Maternity insurance	55,502.27	7,364,849.43	(7,425,740.80)	(5,389.10)
- Other social insurance	-	26,322.58	(26,322.58)	-
Housing fund	57,423.15	152,662,111.97	(152,761,822.67)	(42,287.55)
Labour union fee, staff and workers' education fee	8,858,448.35	43,806,384.26	(36,060,871.70)	16,603,960.91
Others	-	6,587,334.80	(6,587,334.80)	-
Total	3,658,189,804.75	3,422,951,576.75	(3,336,434,886.26)	3,744,706,495.24

(2) Post-employment benefits – defined contribution plans

	Balance at 1 January 2022	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2022*
Basic pension insurance	10,812,003.03	237,716,806.64	(238,432,232.49)	10,096,577.18
Unemployment insurance	35,717.62	7,698,725.05	(7,730,635.49)	3,807.18
Annuity	(129,784.76)	12,443,187.04	(12,469,102.60)	(155,700.32)
Total	10,717,935.89	257,858,718.73	(258,631,970.58)	9,944,684.04

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Basic pension insurance	10,055,858.63	199,282,285.61	(198,526,141.21)	10,812,003.03
Unemployment insurance	2,894.21	6,545,776.82	(6,512,953.41)	35,717.62
Annuity	(237,356.37)	216,860,136.89	(216,752,565.28)	(129,784.76)
Total	9,821,396.47	422,688,199.32	(421,791,659.90)	10,717,935.89

3 Net fee and commission income

	2022	*2021*
Net income from securities brokerage business	2,565,327,848.96	3,314,871,787.14
- Income from securities brokerage business	3,036,292,077.13	3,912,993,695.60
- Agency securities trading	1,686,827,774.05	2,115,906,808.37
- Lease of trading membership	785,399,000.21	1,028,075,610.13
- Agency sale of financial product	564,065,302.87	769,011,277.10
- Expenses for securities brokerage business	(470,964,228.17)	(598,121,908.46)
- Agency securities trading	(470,964,228.17)	(598,121,908.46)
Net income from investment banking business	917,548,829.44	1,195,672,630.13
- Income from investment banking business	924,165,967.49	1,211,889,369.50
- Securities underwriting business	829,832,204.29	1,083,554,938.25
- Securities sponsorship business	41,520,849.08	54,360,000.04
- Financial advisory business	52,812,914.12	73,974,431.21
- Expenses for investment banking business	(6,617,138.05)	(16,216,739.37)
- Securities underwriting business	(5,361,272.60)	(12,752,752.89)
- Securities sponsorship business	(1,101,182.17)	(3,370,166.40)
- Financial advisory business	(154,683.28)	(93,820.08)
Net income from investment advisory business	87,353,311.03	70,475,118.60
- Income from investment advisory business	87,439,722.90	70,834,218.60
- Expenses on investment advisory business	(86,411.87)	(359,100.00)
Other net fee and commission income	179,917,334.61	184,716,784.86
- Other fee and commission income	196,266,410.11	200,782,909.12
- Other fee and commission expense	(16,349,075.50)	(16,066,124.26)
Total	3,750,147,324.04	4,765,736,320.73
Including: Total fee and commission income	4,244,164,177.63	5,396,500,192.82
Total fee and commission expenses	(494,016,853.59)	(630,763,872.09)

4 Net interest income

	2022	2021
Interest income		
Including: Interest income from cash at bank and balance with clearing companies	1,306,965,943.17	979,803,273.48
Interest income from margin accounts	1,898,183,799.34	2,075,483,834.55
Interest income from financial assets held under resale agreements	182,502,305.20	190,836,214.47
Including: Interest income from stock-pledged financing	131,824,085.71	151,581,037.44
Interest income from debt investments	31,721,198.98	-
Interest income from other debt investments	946,622,927.18	1,005,476,695.90
Others	155,093,150.24	37,418,409.16
Sub-total of interest income	4,521,089,324.11	4,289,018,427.56
Interest expense		
Including: Interest expense on short-term financing payables	(137,402,578.25)	(305,569,013.30)
Interest expense on banks and other financial institutions	(119,085,325.79)	(80,189,915.69)
Including: Interest expense on the margin refinancing	(9,602,841.52)	(58,586,326.71)
Interest expense for financial assets sold under repurchase agreement	(614,030,195.10)	(640,795,337.09)
Including: Interest expense for stock-pledged financing	(93,395,995.36)	(45,021,130.37)
Interest expenses on accounts payable to brokerage and margin clients	(165,863,338.80)	(155,557,412.30)
Interest expenses on debentures payable	(1,828,884,850.98)	(1,603,868,526.40)
Including: Interest expense on secondary bonds	(292,302,531.10)	(418,319,410.16)
Interest expenses for lease liabilities	(23,069,059.59)	(25,715,753.76)
Others	(7,894,438.42)	(9,662,632.96)
Sub-total of interest expense	(2,896,229,786.93)	(2,821,358,591.50)
Net interest income	1,624,859,537.18	1,467,659,836.06

5 Investment income

(1) Investment income by category

	2022	*2021*
Investment income from long-term equity investments accounted for using cost method	382,500,000.00	290,000,000.00
Investment income from long-term equity investments accounted for using equity method	5,593,159.47	2,221,905.98
Investment income arising from financial instruments	300,147,206.20	2,011,795,822.84
Including: Investment income from financial instruments during the holding period	1,338,703,380.85	1,527,858,335.57
- Financial instruments held for trading	1,338,703,380.85	1,377,225,342.42
- Investments in other equity instruments	-	150,632,993.15
Investment (losses)/income from disposal of financial instruments	(1,038,556,174.65)	483,937,487.27
- Financial instruments held for trading	(1,324,083,327.41)	674,293,911.38
- Other debt investments	103,520,627.98	57,583,084.92
- Derivative financial instruments	182,006,524.78	(247,939,509.03)
Total	688,240,365.67	2,304,017,728.82

Details of investment income arising from financial instruments held for trading are as follows:

		2022	*2021*
Financial assets classified as measured at fair value through profit or loss	Investment income received in holding period	1,341,285,587.01	1,377,225,342.42
	(Losses)/Gains from disposal	(1,325,183,134.07)	674,293,911.38
Financial assets designated at fair value through profit or loss	Investment income received in holding period	-	-
	Gains from disposal	-	-
Financial liabilities classified as measured at fair value through profit or loss	Investment losses in holding period	(2,582,206.16)	-
	Gains from disposal	1,099,806.66	-
Financial liabilities designated at fair value through profit or loss	Investment income received in holding period	-	-
	Gains from disposal	-	-
Total		14,620,053.44	2,051,519,253.80

(2) Investment income of associates and joint ventures

See Note XV.1(3).

(3) Significant restrictions on the remittance of investment returns

None of the above-mentioned investment income faces any significant restriction on the remittance of investment returns.

6 Gains from changes in fair value

	2022	*2021*
Financial assets held for trading	(191,248,165.78)	301,794,583.16
Including: Financial assets designated at fair value through profit or loss	-	-
Financial liabilities held for trading	(1,347,176.66)	-
Including: Financial liabilities designated at fair value through profit or loss	-	-
Derivative financial instruments	298,683,184.78	47,379,002.15
Total	106,087,842.34	349,173,585.31

7 General and administrative expenses

	2022	*2021*
Salaries, bonuses, allowances and subsidies	1,864,749,608.13	3,069,655,288.15
Depreciation and amortisation	554,089,117.29	453,450,582.27
Social insurance	420,512,257.63	539,995,647.55
Housing fund	183,636,251.44	152,662,111.97
Business promotion and marketing expenses	156,838,810.17	197,976,681.84
Software system maintenance fees	130,742,871.83	93,930,568.55
Postage and communication fees	125,427,309.47	90,306,067.07
Transaction unit fee	104,759,279.10	99,062,936.13
Advisory fees	86,848,799.96	55,419,205.08
Office expenses	58,422,032.21	64,981,072.57
Others	365,031,691.00	437,198,747.88
Total	4,051,058,028.23	5,254,638,909.06

8 Supplement to cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	2022	*2021*
Net profit	2,013,473,450.13	2,975,607,632.67
Add: Impairment losses/(reversals) of credit	2,381,898.98	(129,639,402.86)
Depreciation of right-of-use assets	225,990,759.01	205,654,900.19
Depreciation of fixed assets	133,273,586.76	96,442,176.71
Depreciation of investment properties	465,695.28	2,186,209.83
Amortisation of intangible assets	201,344,007.81	148,438,608.64
Amortisation of long-term deferred expenses	40,240,688.27	41,152,340.69
Gains on disposal or retirement of fixed assets, intangible assets and other long-term assets	(703,441.18)	(3,525,950.23)
Gains from changes in fair value	(106,087,842.34)	(349,173,585.31)
Exchange (income)/losses	(1,209,414.11)	383,613.34
Net interest expense	1,011,012,362.66	929,676,597.56
Investment income	(491,613,787.45)	(500,437,984.05)
Decrease in deferred tax assets	299,936,926.10	178,833,478.72
Increase in financial assets held for trading	(4,492,167,184.58)	(8,185,134,384.67)
Decrease/(Increase) in operating receivables	393,594,410.19	(8,017,671,676.33)
Increase in operating payables	15,348,528,349.39	16,878,885,366.10
Net cash flows generated from operating activities	14,578,460,464.92	4,271,677,941.00

(b) Significant investing and financing activities not requiring the use of cash:

As at 31 December 2022, the Company has no significant investing and financing activities not requiring the use of cash.

(c) Change in cash and cash equivalents:

	2022	*2021*
Cash at the end of the year	56,298,757,698.01	45,580,006,340.53
Less: Cash at the beginning of the year	(45,580,006,340.53)	(39,244,186,562.45)
Net increase in cash and cash equivalents	10,718,751,357.48	6,335,819,778.08

(2) Details of cash and cash equivalents

	31 December 2022	*31 December 2021*
Cash		
- Bank deposits available on demand	45,760,319,034.80	38,551,247,259.06
- Other monetary funds available on demand	51,426,626.04	57,206,617.55
- Balances with clearing companies available on demand	10,487,012,037.17	6,971,552,463.92
Cash and cash equivalents	56,298,757,698.01	45,580,006,340.53

XVI Approval for the financial statements

These financial statements were approved by the Board of Directors on 20 April 2023.

I Non-recurring gains and losses

Item	*2022*	*2021*
Disposal of non-current assets	458,516.48	3,890,166.79
Government grants recognized through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	317,192,616.38	176,408,362.72
Other non-operating income and expenses besides items above	20,346,410.66	(23,430,231.00)
Tax effect	(84,348,927.76)	(39,815,871.66)
Effect on non-controlling interests after taxation	(76,124,828.33)	(35,841,662.01)
Total	177,523,787.43	81,210,764.84

Gains or losses arising from changes in fair value of financial assets held for trading, financial liabilities held for trading and derivative financial instruments, investment income from financial assets held for trading and investment period, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and derivative financial instruments will not be presented as an extraordinary gain and loss item, but redefined as ordinary gain and loss item, as these businesses are normal operations of the Group as a securities company.

II Return on net assets and earnings per share

In accordance with “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

31 December 2022	*Weighted average return on net assets* %	*Basic earnings per share* RMB/share
Net profit attributable to the Company’s ordinary equity shareholders	5.74	0.35
Net profit excluding extraordinary gain ar loss attributable to the Company’s ordinary equity shareholders	5.35	0.33

31 December 2021	*Weighted average return on net assets* %	*Basic earnings per share* RMB/share
Net profit attributable to the Company’s ordinary equity shareholders	12.04	0.68
Net profit excluding extraordinary gain ar loss attributable to the Company’s ordinary equity shareholders	11.83	0.67

The Company does not have dilutive potential ordinary shares, and therefore, diluted earnings per share of the Company is the same as basic earnings per share.

Industrial Securities Co., Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE YEAR 1 JANUARY 2021 TO 31 DECEMBER 2021
IF THERE IS ANY CONFLICT BETWEEN THE CHINESE VERSION AND ITS ENGLISH TRANSLATION, THE CHINESE VERSION WILL PREVAIL

Auditor’s Report

KPMG Huazhen Shenzi NO.2201977

To the shareholders of Industrial Securities Co., Ltd.:

Opinion

We have audited the accompanying financial statements of Industrial Securities Co., Ltd. (“Industrial Securities”), which comprise the consolidated balance sheet and company balance sheet as at 31 December 2021, the consolidated income statement and company income statement, the consolidated cash flow statement and company cash flow statement, the consolidated statement of changes in shareholders’ equity and company statement of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Company as at 31 December 2021, and the consolidated and company financial performance and cash flows of Industrial Securities for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants (“CSAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Industrial Securities in accordance with the China Code of Ethics for Certified Public Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Assessment of the fair value of financial instruments</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 18 and XIV. Fair value of financial assets and liabilities.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The valuation of Industrial Securities Co., Ltd. and its subsidiaries' ("Industrial Securities") financial instruments measured at fair value is based on a combination of market data and valuation models which often require a considerable number of inputs.

Most of the inputs are obtained from readily available data. Where such observable data is not readily available, as in the case of certain level 3 financial instruments, estimates need to be developed which can involve significant management judgement.

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.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• Understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation, independent price verification and valuation model approval for financial instruments;

• Selecting the financial instruments and assessing the fair values of level 1 fair value measurement financial instruments by comparing the fair values applied by Industrial Securities with publicly available market data;

• For the financial instruments measured at the fair value at level 2 and level 3, selecting the financial instruments and reviewing the investment agreements entered into during the year to understand the relevant investment terms and identify conditions that were relevant to the valuation of financial instruments;</td></tr>
</table>

Key Audit Matters (continued)

Assessment of the fair value of financial instruments	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 18 and *XIV. Fair value of financial assets and liabilities*.	
Key audit matters	**How the matter was addressed in our audit**
	• Evaluating the appropriateness of the valuation methods used by Industrial Securities for financial instruments measured at fair value at the level 2 and level 3 with the assistance of KPMG valuation experts. Meanwhile, selecting financial instruments measured at fair value at the level 2 and level 3, we compared Industrial Securities’ valuation models with our knowledge of current industrial practice, tested the inputs for the fair value measurements, performed the parallel analysis and measurements, and compared our valuation results with those of Industrial Securities; and • Evaluating the reasonableness of disclosures relating to the fair value of financial instruments based on relevant accounting standards.

Key Audit Matters (continued)

Consolidation of structured entities	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 5 and *VII. Interests in other entities*.	
Key audit matters	**How the matter was addressed in our audit**
Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. Industrial Securities may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuing or acquiring the investment funds, wealth management products, the asset management schemes, the trust schemes or the asset-backed securities. In determining whether a structured entity is required to be consolidated by Industrial Securities, management is required to consider the rights that Industrial Securities is able to exercise over the activities of the entity, the entitlement to variable returns and its ability to influence its own returns from the entity. In certain circumstances Industrial Securities may be required to consolidate a structured entity even though it has no equity interest therein. 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.	Our audit procedures to assess the consolidation of structured entities included the following: • Enquiring the management and inspecting files related to process of the management's judgement of whether consolidation is required for the structured entities to evaluate the appropriateness of procedures set up in this regard; • Selecting items for structured entities on each key product type and performing the following procedures for each item selected: - Inspecting the related contracts and internal documents to understand the purpose of the establishment of the structured entity and the involvement Industrial Securities has with the structured entity and to assess management's judgement over whether Industrial Securities has the ability to exercise power over the structured entity; - 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 and to variable returns from Industrial Securities' involvement in such an entity;

Key Audit Matters (continued)

<table>
<tr><th colspan="2">Consolidation of structured entities (continued)</th></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 5 and VII. Interests in other entities.</td></tr>
<tr><th>Key audit matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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 Industrial Securities or not and because the impact of consolidating structured entities on the financial statements could be significant.</td><td>- Evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with Industrial Securities' economic interests in the structured entity to assess management's judgement over Industrial Securities' ability to influence its variable returns from the structured entity;
- Evaluating management's judgement over whether the structured entity should be consolidated or not.
• Evaluating the reasonableness of disclosures relating to the consolidation of structured entities based on relevant accounting standards.</td></tr>
</table>

Key Audit Matters (continued)

Loss allowances of financial assets measured at amortised cost	
Refer to the accounting policies set out in the notes to the financial statements *III. Significant accounting policies and accounting estimates* 9.	
Key audit matters	**How the matter was addressed in our audit**
Determining impairment provision for financial assets at amortised cost with the ECL model involves application of certain key parameters and assumptions, including stage classification of credit impairment and estimation of probability of default, loss given default, exposure at default and other parameters, as well as consideration of forward-looking adjustment and other adjustment factors, so a considerable level of management judgement is required in the selection and assumption of these parameters.	Our audit procedures to assess loss allowances of financial assets measured at amortised cost included the following: • Understanding and assessing the design and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of financial assets measured at amortised cost and the measurement of loss allowances; • Assessing the reliability of the ECL model and parameters used in impairment provision by management, including stage classification scheme, probability of default, loss given default, exposure at default, forward-looking adjustment and management's adjustment, and assessing the reasonableness of key management judgements involved, with the assistance of KPMG financial risk management experts.

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2201977

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Loss allowances of financial assets measured at amortised cost (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 9.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and Industrial Securities' internal credit risk management strategy. In assessing the above key parameters and assumptions, Industrial Securities considers historical loss experience, internal credit rating, external credit rating and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These factors include the recoverable amount, the financial conditions of borrowers, the recoverable amount of the collateral, the claim compensational priority, the existence of other creditors and their degree of cooperation. Where the securities of listed companies are involved as the collateral, the volatility, liquidity, concentration and the performance guarantee of the guaranteed securities will also be taken into account in the judgement.

We identified loss allowances of financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of Industrial Securities.</td><td>• 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 to evaluate the completeness of the list, selecting 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;
• For key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to Industrial Securities' 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;</td></tr>
</table>

Key Audit Matters (continued)

<table>
<tr><td colspan="2">Loss allowances of financial assets measured at amortised cost (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies set out in the notes to the financial statements III. Significant accounting policies and accounting estimates 9.</td></tr>
<tr><td>Key audit matters</td><td>How the matter was addressed in our audit</td></tr>
<tr><td></td><td>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 specific items. On the basis of the selected items, we checked the overdue information of relevant assets, understood the credit conditions of borrowers, the liquidity, volatility, concentration and the performance guarantee of the guaranteed securities.
We selected credit-impaired financial assets to evaluate the reasonableness of the loss given default. We also evaluated the forecast cash flows of the collaterals and other credit enhancements, and challenged the viability of financial assets' recovery plan.
Based on the above work, we selected financial assets and used the expected credit loss model to re-examine the calculation accuracy of the impairment allowances of financial assets measured at amortised cost.
Evaluating the reasonableness of disclosures relating to the loss allowances of financial assets measured at amortised cost based on relevant accounting standards.</td></tr>
</table>

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2201977

Other Information

The management of Industrial Securities is responsible for the other information. The other information comprises all the information included in 2021 Annual Report of Industrial Securities, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Industrial Securities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Industrial Securities or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Industrial Securities' financial reporting process.

Auditor’s Report (continued)

KPMG Huazhen Shenzi NO.2201977

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

(1) Identify and assess the risks of material misstatement of the 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.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management’s use of the going concern basis of accounting and, 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 Industrial Securities’ 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 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 Industrial Securities to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Industrial Securities to express an opinion on the financial statements. We are responsible for the instruction, supervision and execution of Industrial Securities’ audit, and assume full responsibility for the audit opinion.

Auditor's Report (continued)

KPMG Huazhen Shenzi NO.2201977

Auditor's Responsibilities for the Audit of the 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Certified Public Accountants Registered in the People's Republic of China

Huang Xiaoyi (Engagement Partner)

Beijing, China

Wang Guobei

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2021
(Expressed in Renminbi Yuan)

		The Group		The Company	
	Note VI	*31 December 2021*	*31 December 2020*	*31 December 2021*	*31 December 2020*
Assets					
Cash at bank and on hand	1	66,854,433,851.14	48,924,494,020.52	38,648,886,067.46	32,496,752,209.96
Including: customer deposits		51,191,896,726.28	33,966,321,465.71	31,774,866,538.43	23,409,893,923.08
Balances with clearing companies	2	6,612,407,979.83	7,308,103,925.30	6,975,364,900.17	6,796,602,167.55
Including: customer deposits		3,641,705,077.19	5,974,384,034.76	4,375,457,976.33	5,717,443,193.30
Margin accounts	3	34,458,474,418.54	31,025,020,388.27	33,788,655,714.06	28,985,134,592.91
Derivative financial assets	4	268,756,832.59	49,479,531.67	264,294,725.90	46,632,031.61
Refundable deposits	5	9,181,176,019.72	6,922,793,130.17	2,524,629,963.27	1,667,766,267.93
Accounts receivable	6	1,691,381,835.04	1,951,852,142.60	487,849,236.92	360,009,066.10
Financial assets held under resale agreements	7	6,671,664,926.94	4,552,495,226.73	6,154,936,788.82	3,558,585,108.10
Financial investments:					
Financial assets held for trading	8	60,101,961,570.20	49,574,401,398.72	44,399,738,874.74	34,715,882,068.71
Other debt investments	9	22,132,859,754.95	21,592,386,057.78	22,132,859,754.95	21,592,386,057.78
Investments in other equity instruments	10	-	2,552,845,981.04	-	2,552,845,981.04
Long-term equity investments	12	4,728,881,309.84	2,333,951,696.91	11,066,709,279.43	7,082,317,924.34
Investment properties	13	10,325,476.27	103,247,201.06	8,410,659.63	101,237,931.94
Fixed assets	14	799,668,579.90	651,685,915.56	742,447,349.63	607,029,042.15
Construction in progress		4,260,032.65	-	4,260,032.65	-
Right-of-use assets	56	851,784,126.52	-	664,955,730.89	-
Intangible assets	15	362,434,047.53	259,154,817.04	325,452,207.83	228,674,133.34
Goodwill	16	12,264,149.78	12,264,149.78	-	-
Deferred tax assets	17	1,149,739,934.53	1,109,217,090.86	469,754,146.92	641,073,855.62
Other assets	18	1,570,866,124.99	2,096,303,933.42	1,578,507,895.96	1,814,127,068.56
Total assets		217,463,340,970.96	181,019,696,607.43	170,237,713,329.23	143,247,055,507.64

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		The Group		The Company	
	Note VI	*31 December 2021*	*31 December 2020*	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity					
Liabilities:					
Short-term loans	20	433,448,118.55	3,863,492,274.65	-	-
Short-term financing payables	21	7,970,752,053.37	8,583,219,337.18	7,970,752,053.37	8,524,498,282.71
Placements from banks and other financial institutions	22	1,500,411,111.12	530,079,333.33	1,500,411,111.12	530,079,333.33
Financial liabilities held for trading	23	1,987,544,553.91	2,617,019,758.20	-	-
Derivative financial liabilities	4	474,744,342.04	132,678,348.19	419,810,677.68	86,641,470.54
Financial assets sold under repurchase agreements	24	30,245,317,379.95	25,780,652,893.10	28,634,547,492.03	23,007,824,489.27
Accounts payable to brokerage and margin clients	25	60,512,270,942.02	44,535,262,960.73	35,758,451,720.89	28,866,776,049.87
Accounts payable to securities underwriting clients	26	100,000,000.00	136,603,936.40	100,000,000.00	136,603,936.40
Employee benefits payable	27	6,603,204,876.66	5,479,760,964.44	3,755,424,431.13	3,668,011,201.22
Taxes payable	28	2,062,192,802.67	1,866,394,695.66	1,119,043,709.03	856,652,117.82
Accounts payable	29	5,764,636,707.72	2,668,336,901.81	4,321,588,482.26	1,131,386,650.43
Contract liabilities	30	71,524,080.39	63,519,506.29	66,595,501.05	62,310,189.99
Debentures payable	31	52,881,795,085.13	43,175,255,512.22	49,079,667,672.24	41,255,225,943.40
Lease liabilities	56	847,005,170.25	-	656,008,194.46	-
Deferred tax liabilities	17	222,697,703.06	25,800,566.85	-	-
Other liabilities	32	430,320,527.21	726,195,156.71	259,341,925.65	272,640,905.58
Total liabilities		172,107,865,454.05	140,184,272,145.76	133,641,642,970.91	108,398,650,570.56

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated balance sheet and company balance sheet
as at 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

		The Group		*The Company*	
	Note VI	*31 December 2021*	*31 December 2020*	*31 December 2021*	*31 December 2020*
Liabilities and shareholders' equity (continued)					
Shareholders' equity:					
Share capital	33	6,696,671,674.00	6,696,671,674.00	6,696,671,674.00	6,696,671,674.00
Capital reserve	34	14,376,951,849.01	14,376,951,849.01	14,234,115,813.82	14,234,115,813.82
Other comprehensive income	35	269,294,297.19	356,092,965.10	298,169,158.67	320,710,468.78
Surplus reserve	36	2,308,549,565.26	2,010,988,801.99	2,308,549,565.26	2,010,988,801.99
General risk reserve	37	5,990,435,130.55	5,018,446,395.58	4,398,333,241.12	3,803,211,714.58
Retained earnings	38	11,547,539,511.44	9,279,419,567.64	8,660,230,905.45	7,782,706,463.91
Total equity attributable to shareholders of the Company		41,189,442,027.45	37,738,571,253.32	36,596,070,358.32	34,848,404,937.08
Non-controlling interests		4,166,033,489.46	3,096,853,208.35	-	-
Total shareholders' equity		45,355,475,516.91	40,835,424,461.67	36,596,070,358.32	34,848,404,937.08
Total liabilities and shareholders' equity		217,463,340,970.96	181,019,696,607.43	170,237,713,329.23	143,247,055,507.64

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Note VI	The Group 2021	The Group 2020	The Company 2021	The Company 2020
I.	Operation income		18,972,168,754.91	17,579,687,208.80	8,976,906,543.06	8,752,241,015.90
	Net fee and commission income	39	10,105,796,967.09	7,778,063,053.84	4,765,736,320.73	4,103,194,347.15
	Including:					
	Net income from brokerage business		3,560,745,389.30	2,778,169,714.68	3,314,871,787.14	2,621,645,455.31
	Net income from investment banking business		1,242,231,940.96	1,378,695,870.70	1,195,672,630.13	1,314,790,780.12
	Net income from asset management business		242,054,897.29	140,176,801.14	-	-
	Net interest income	40	1,724,164,807.60	1,167,351,014.82	1,467,659,836.06	1,066,513,054.20
	Including:					
	Interest income		4,711,399,408.10	4,205,105,224.42	4,289,018,427.56	3,665,747,549.11
	Interest expense		(2,987,234,600.50)	(3,037,754,209.60)	(2,821,358,591.50)	(2,599,234,494.91)
	Investment gains	41	3,178,407,114.93	5,118,967,250.50	2,304,017,728.82	2,776,499,042.08
	Including:					
	Income / (losses) from investments in associates and joint ventures		53,633,894.62	(1,837,581.89)	2,221,905.98	(3,146,528.34)
	Other income	42	197,809,257.54	197,421,951.81	82,709,245.16	56,142,428.38
	Gains / (Losses) from changes in fair value	43	603,195,556.09	(376,882,009.95)	349,173,585.31	743,223,312.58
	Exchange gains / (losses)		47,705,729.03	26,790,717.40	(383,613.34)	(1,081,629.54)
	Other operating income	44	3,111,278,510.11	3,667,548,134.29	4,431,214.06	7,386,136.11
	Gains from disposal of assets		3,810,812.52	427,096.09	3,562,226.26	364,324.94
II.	Operating expenses		(11,264,171,863.48)	(11,380,016,077.09)	(5,188,950,476.99)	(4,803,826,024.52)
	Taxes and surcharges	45	(107,205,060.35)	(98,867,389.21)	(61,764,760.96)	(64,596,502.05)
	General and administrative expenses	46	(8,130,633,828.75)	(6,757,875,647.61)	(5,254,638,909.06)	(4,469,430,724.85)
	Credit impairment reversal / (losses)	47	43,293,193.71	(610,698,306.17)	129,639,402.86	(265,576,823.96)
	Impairment reversal / (losses) on other assets	48	20,800,110.60	(26,725,176.57)	-	-
	Other operating costs	49	(3,090,426,278.69)	(3,885,849,557.53)	(2,186,209.83)	(4,221,973.66)
III.	Operating profit		7,707,996,891.43	6,199,671,131.71	3,787,956,066.07	3,948,414,991.38
	Add: Non-operating income	50	601,424.06	2,294,287.20	237,078.54	714,759.62
	Less: Non-operating expenses	50	(45,353,195.61)	(46,461,676.20)	(34,657,997.88)	(38,384,570.32)
IV.	Profit before income tax		7,663,245,119.88	6,155,503,742.71	3,753,535,146.73	3,910,745,180.68
	Less: Income tax expenses	51	(1,807,826,480.30)	(1,571,597,360.17)	(777,927,514.06)	(949,755,421.64)
V.	Net profit for the year		5,855,418,639.58	4,583,906,382.54	2,975,607,632.67	2,960,989,759.04

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2021	The Group 2020	The Company 2021	The Company 2020
V. Net profit for the year (continued)					
(1) Net profit classified by ownership					
Shareholders of the Company		4,743,070,343.36	4,003,314,315.75	2,975,607,632.67	2,960,989,759.04
Non-controlling interests		1,112,348,296.22	580,592,066.79	-	-
(2) Net profit classified by continuity of operations					
Net profit from continuing operations		5,855,418,639.58	4,583,906,382.54	2,975,607,632.67	2,960,989,759.04
VI. Other comprehensive income, net of tax	35	(126,019,286.42)	(237,787,986.85)	(22,541,310.11)	(33,596,583.14)
Other comprehensive income (net of tax) attributable to shareholders of the Company		(86,798,667.91)	(142,632,198.31)	(22,541,310.11)	(33,596,583.14)
(1) Items that will not be reclassified to profit or loss		(89,072,286.74)	42,643,961.71	(89,072,286.74)	42,643,961.71
1. Changes in fair value of investments in other equity instruments		(89,072,286.74)	42,643,961.71	(89,072,286.74)	42,643,961.71
(2) Items that may be reclassified to profit or loss		2,273,618.83	(185,276,160.02)	66,530,976.63	(76,240,544.85)
1. Other comprehensive income recognised under equity method		-	-	-	-
2. Changes in fair value of other debt investments		104,720,896.23	(77,046,144.39)	104,720,896.23	(77,046,144.39)
3. Credit losses of debt investments		(38,189,919.60)	805,599.54	(38,189,919.60)	805,599.54
4. Translation differences arising from translation of foreign currency financial statements		(64,257,357.80)	(109,035,615.17)	-	-

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated income statement and company income statement for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2021	The Group 2020	The Company 2021	The Company 2020
Other comprehensive income (net of tax) attributable to non-controlling interests		(39,220,618.51)	(95,155,788.54)	-	-
VII. Total comprehensive income for the year		5,729,399,353.16	4,346,118,395.69	2,953,066,322.56	2,927,393,175.90
Attributable to shareholders of the Company		4,656,271,675.45	3,860,682,117.44	2,953,066,322.56	2,927,393,175.90
Attributable to non-controlling interests		1,073,127,677.71	485,436,278.25	-	-
VIII. Earnings per share					
(1) Basic earnings per share	52	0.71	0.60	N/A	N/A
(2) Diluted earnings per share	52	0.71	0.60	N/A	N/A

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		The Group		*The Company*	
	Note VI	*2021*	*2020*	*2021*	*2020*
I. Cash flows from operating activities:					
Net cash from accounts payable to brokerage clients		16,854,620,070.07	11,060,568,013.24	9,165,695,761.07	8,525,012,790.98
Proceeds from interest, fee and commission		16,691,914,210.99	13,028,350,505.00	9,037,249,527.63	7,473,686,501.20
Net increase in repurchases businesses		2,669,324,711.19	3,526,408,259.76	3,358,391,211.47	2,522,075,471.12
Net increase in placements from other financial institutions		970,000,000.00	30,000,000.00	970,000,000.00	30,000,000.00
Net decrease in financial instruments held for trading		-	2,972,351,301.36	-	4,740,538,447.81
Proceeds from other operating activities	53(1)	7,460,065,969.59	5,778,954,229.01	3,581,909,982.73	1,410,653,461.56
Sub-total of cash from operating activities		44,645,924,961.84	36,396,632,308.37	26,113,246,482.90	24,701,966,672.67
Net increase in financial instruments held for trading		(6,340,157,129.34)	-	(6,358,391,415.29)	-
Net increase in margin accounts		(3,401,387,346.48)	(10,531,967,323.32)	(4,712,269,084.90)	(11,588,787,271.23)
Payment of employee benefits		(5,060,259,571.03)	(4,054,150,342.79)	(3,732,747,991.29)	(3,002,324,908.63)
Payment of various taxes		(5,381,174,462.24)	(4,894,775,494.33)	(3,158,228,882.01)	(3,631,048,213.28)
Payment for interest, fee and commission		(2,965,070,976.40)	(2,343,229,509.90)	(1,547,102,212.49)	(1,283,669,126.86)
Payment for other operating activities	53(2)	(6,291,767,487.90)	(6,888,651,021.26)	(2,332,828,955.92)	(2,272,527,442.22)
Sub-total of cash from operating activities		(29,439,816,973.39)	(28,712,773,691.60)	(21,841,568,541.90)	(21,778,356,962.22)
Net cash flows generated from operating activities	54(1)(a)	15,206,107,988.45	7,683,858,616.77	4,271,677,941.00	2,923,609,710.45

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement
for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2021	The Group 2020	The Company 2021	The Company 2020
II. Cash flows from investing activities:					
Investment returns received		1,268,324,002.96	1,253,642,941.80	1,545,340,612.94	1,560,211,962.07
Proceeds from disposal of investments		1,233,395,717.27	1,357,072,449.00	957,832,696.35	1,217,980,026.99
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		1,898,809.84	1,568,405.12	1,161,197.07	1,278,839.69
Sub-total of cash from investing activities		2,503,618,530.07	2,612,283,795.92	2,504,334,506.36	2,779,470,828.75
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(530,803,285.71)	(297,479,333.18)	(484,287,003.57)	(291,286,309.64)
Payment for acquisition of investments		(2,908,203,814.83)	(470,000,000.00)	(3,982,169,449.11)	(1,100,000,000.00)
Sub-total of cash from investing activities		(3,439,007,100.54)	(767,479,333.18)	(4,466,456,452.68)	(1,391,286,309.64)
Net cash flows (used in) / generated from investing activities		(935,388,570.47)	1,844,804,462.74	(1,962,121,946.32)	1,388,184,519.11

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated cash flow statement and company cash flow statement for the year ended 31 December 2021 (continued)
(Expressed in Renminbi Yuan)

	Note VI	The Group 2021	The Group 2020	The Company 2021	The Company 2020
III. Cash flows from financing activities:					
Proceeds from issuance of debentures and short-term financing loans		63,430,812,674.10	30,183,334,723.03	61,500,383,076.00	30,111,252,539.00
Proceeds from borrowings		37,793,973,671.14	46,727,380,625.66	-	-
Sub-total of cash from financing activities		101,224,786,345.24	76,910,715,348.69	61,500,383,076.00	30,111,252,539.00
Repayments of borrowings		(95,311,597,631.03)	(81,705,136,055.11)	(54,017,062,036.00)	(27,938,373,893.00)
Payment for dividends, profit distributions or interest		(3,502,230,479.79)	(3,278,950,274.45)	(3,242,963,981.52)	(2,558,820,475.65)
Including: Dividends and profits paid to non-controlling shareholders of subsidiaries		(3,161,121.10)	(269,500,000.00)	-	-
Payment for lease liabilities		(295,504,074.04)	-	(213,709,661.74)	-
Sub-total of cash from financing activities		(99,109,332,184.86)	(84,984,086,329.56)	(57,473,735,679.26)	(30,497,194,368.65)
Net cash flows generated from / (used in) financing activities		2,115,454,160.38	(8,073,370,980.87)	4,026,647,396.74	(385,941,829.65)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		47,705,729.03	26,790,717.40	(383,613.34)	(1,081,629.54)
V. Net increase in cash and cash equivalents	54(1)(c)	16,433,879,307.39	1,482,082,816.04	6,335,819,778.08	3,924,770,770.37
Add: Cash and cash equivalents at the beginning of the year		54,391,421,247.68	52,909,338,431.64	39,244,186,562.45	35,319,415,792.08
VI. Cash and cash equivalents at the end of the year	54(3)	70,825,300,555.07	54,391,421,247.68	45,580,006,340.53	39,244,186,562.45

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

		Attributable to shareholders of the Company								
	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total*
Balance at 31 December 2020		6,696,671,674.00	14,376,951,849.01	356,092,965.10	2,010,988,801.99	5,018,446,395.58	9,279,419,567.64	37,738,571,253.32	3,096,853,208.35	40,835,424,461.67
Add: Changes in accounting policies	III.33	-	-	-	-	-	-	-	-	-
Balance at 1 January 2021		6,696,671,674.00	14,376,951,849.01	356,092,965.10	2,010,988,801.99	5,018,446,395.58	9,279,419,567.64	37,738,571,253.32	3,096,853,208.35	40,835,424,461.67
Changes in equity during the year		-	-	(86,798,667.91)	297,560,763.27	971,988,734.97	2,268,119,943.80	3,450,870,774.13	1,069,180,281.11	4,520,051,055.24
1. Total comprehensive income		-	-	(86,798,667.91)	-	-	4,743,070,343.36	4,656,271,675.45	1,073,127,677.71	5,729,399,353.16
2. Shareholders' contributions of capital		-	-	-	-	-	-	-	(786,275.50)	(786,275.50)
(1) Disposal of subsidiaries		-	-	-	-	-	-	-	(786,275.50)	(786,275.50)
3. Appropriation of profits	VI.38	-	-	-	297,560,763.27	971,988,734.97	(2,474,950,399.56)	(1,205,400,901.32)	(3,161,121.10)	(1,208,562,022.42)
(1) Appropriation for surplus reserve		-	-	-	297,560,763.27	-	(297,560,763.27)	-	-	-
(2) Appropriation for general risk reserve		-	-	-	-	971,988,734.97	(971,988,734.97)	-	-	-
(3) Distributions to shareholders		-	-	-	-	-	(1,205,400,901.32)	(1,205,400,901.32)	(3,161,121.10)	(1,208,562,022.42)
Balance at 31 December 2021		6,696,671,674.00	14,376,951,849.01	269,294,297.19	2,308,549,565.26	5,990,435,130.55	11,547,539,511.44	41,189,442,027.45	4,166,033,489.46	45,355,475,516.91

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2020 (continued)
(Expressed in Renminbi Yuan)

		Attributable to shareholders of the Company							*Non-controlling interests*	*Total*
	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Sub-total*		
Balance at 31 December 2019		6,696,671,674.00	14,374,587,738.15	498,725,163.41	1,716,990,955.34	4,166,681,950.93	6,978,612,569.58	34,432,270,051.41	2,611,416,930.10	37,043,686,981.51
Add: Changes in accounting policies		-	-	-	(2,101,129.25)	(4,202,258.50)	(14,707,904.72)	(21,011,292.47)	-	(21,011,292.47)
Balance at 1 January 2020		6,696,671,674.00	14,374,587,738.15	498,725,163.41	1,714,889,826.09	4,162,479,692.43	6,963,904,664.86	34,411,258,758.94	2,611,416,930.10	37,022,675,689.04
Changes in equity during the year		-	2,364,110.86	(142,632,198.31)	296,098,975.90	855,966,703.15	2,315,514,902.78	3,327,312,494.38	485,436,278.25	3,812,748,772.63
1. Total comprehensive income		-	-	(142,632,198.31)	-	-	4,003,314,315.75	3,860,682,117.44	485,436,278.25	4,346,118,395.69
2. Shareholders' contributions of capital		-	2,364,110.86	-	-	-	-	2,364,110.86	-	2,364,110.86
(1) Others	VI.34	-	2,364,110.86	-	-	-	-	2,364,110.86	-	2,364,110.86
3. Appropriation of profits	VI.38	-	-	-	296,098,975.90	855,966,703.15	(1,687,799,412.97)	(535,733,733.92)	-	(535,733,733.92)
(1) Appropriation for surplus reserve		-	-	-	296,098,975.90	-	(296,098,975.90)	-	-	-
(2) Appropriation for general risk reserve		-	-	-	-	855,966,703.15	(855,966,703.15)	-	-	-
(3) Distributions to shareholders		-	-	-	-	-	(535,733,733.92)	(535,733,733.92)	-	(535,733,733.92)
Balance at 31 December 2020		6,696,671,674.00	14,376,951,849.01	356,092,965.10	2,010,988,801.99	5,018,446,395.58	9,279,419,567.64	37,738,571,253.32	3,096,853,208.35	40,835,424,461.67

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Company statement of changes in shareholders' equity
for the year ended 31 December 2021
(Expressed in Renminbi Yuan)

	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Total*
Balance at 31 December 2020		6,696,671,674.00	14,234,115,813.82	320,710,468.78	2,010,988,801.99	3,803,211,714.58	7,782,706,463.91	34,848,404,937.08
Add: Changes in accounting policies	III.33	-	-	-	-	-	-	-
Balance at 1 January 2021		6,696,671,674.00	14,234,115,813.82	320,710,468.78	2,010,988,801.99	3,803,211,714.58	7,782,706,463.91	34,848,404,937.08
Changes in equity during the year		-	-	(22,541,310.11)	297,560,763.27	595,121,526.54	877,524,441.54	1,747,665,421.24
1. Total comprehensive income		-	-	(22,541,310.11)	-	-	2,975,607,632.67	2,953,066,322.56
2. Appropriation of profits		-	-	-	297,560,763.27	595,121,526.54	(2,098,083,191.13)	(1,205,400,901.32)
(1) Appropriation for surplus reserve		-	-	-	297,560,763.27	-	(297,560,763.27)	-
(2) Appropriation for general risk reserve		-	-	-	-	595,121,526.54	(595,121,526.54)	-
(3) Distributions to shareholders		-	-	-	-	-	(1,205,400,901.32)	(1,205,400,901.32)
Balance at 31 December 2021		6,696,671,674.00	14,234,115,813.82	298,169,158.67	2,308,549,565.26	4,398,333,241.12	8,660,230,905.45	36,596,070,358.32

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

Industrial Securities Co., Ltd.
Company statement of changes in shareholders' equity
for the year ended 31 December 2020 (continued)
(Expressed in Renminbi Yuan)

	Note	*Share capital*	*Capital reserve*	*Other comprehensive income*	*Surplus reserve*	*General risk reserve*	*Retained earnings*	*Total*
Balance at 31 December 2019		6,696,671,674.00	14,234,115,813.82	354,307,051.92	1,716,990,955.34	3,215,216,021.28	6,260,455,271.21	32,477,756,787.57
Add: Changes in accounting policies		-	-	-	(2,101,129.25)	(4,202,258.50)	(14,707,904.72)	(21,011,292.47)
Balance at 1 January 2020		6,696,671,674.00	14,234,115,813.82	354,307,051.92	1,714,889,826.09	3,211,013,762.78	6,245,747,366.49	32,456,745,495.10
Changes in equity during the year		-	-	(33,596,583.14)	296,098,975.90	592,197,951.80	1,536,959,097.42	2,391,659,441.98
1. Total comprehensive income		-	-	(33,596,583.14)	-	-	2,960,989,759.04	2,927,393,175.90
2. Appropriation of profits		-	-	-	296,098,975.90	592,197,951.80	(1,424,030,661.62)	(535,733,733.92)
(1) Appropriation for surplus reserve		-	-	-	296,098,975.90	-	(296,098,975.90)	-
(2) Appropriation for general risk reserve		-	-	-	-	592,197,951.80	(592,197,951.80)	-
(3) Distributions to shareholders		-	-	-	-	-	(535,733,733.92)	(535,733,733.92)
Balance at 31 December 2020		6,696,671,674.00	14,234,115,813.82	320,710,468.78	2,010,988,801.99	3,803,211,714.58	7,782,706,463.91	34,848,404,937.08

These financial statements were approved by the Board of Directors on 30 March 2022 and were signed by the following persons in charge:

Yang Huahui Legal representative	Lin Hongzhen The person in charge of accounting affairs	Zheng Hong The head of the accounting department	(Company stamp)

The accompanying notes form part of these financial statements.

I. Company status

1 History of development and restructuring

Industrial Securities Co., Ltd. (hereinafter referred to as “Company” or “the Company”) was formerly known as Fujian Industrial Securities Co., Ltd. (福建兴业证券公司). Fujian Industrial Bank Co., Ltd. (福建兴业银行) established the Securities Business Department in October 1991. With the approval of *Yin Fu [1994] No.160 the Official Reply on Establishing Fujian Industrial Securities Co., Ltd.* issued by People’s Bank of China on 29 April 1994, on the basis of the Securities Business Department under Fujian Industrial Bank Co., Ltd., Fujian Industrial Securities Co., Ltd. was restructured and established as a wholly-owned professional securities subsidiary of Fujian Industrial Bank Co., Ltd., with a registered capital of RMB100 million.

With the approval of *Zheng Jian Ji Gou Zi [1999] No.73 the Official Reply on the Separation of Fujian Industrial Securities Co., Ltd. from Fujian Industrial Bank Co., Ltd. and the Scheme on the Increase in Capital and Share* issued by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) on 9 August 1999, Fujian Industrial Securities Co., Ltd. was separated from Fujian Industrial Bank Co., Ltd., and was carried out the restructuring and the increase in capital and share. The establishment meeting of Industrial Securities Co., Ltd. was held on 19 December 1999. With the issuance of *Zheng Jian Ji Gou Zi [2000] No.52 the Official Reply on Approving the Capital Increase, Restructuring and Rename of Fujian Industrial Securities Co., Ltd.* by CSRC on 15 March 2000, Fujian Industrial Securities Co., Ltd. became a comprehensive securities company. Meanwhile, with the approval of *Min Ti Gai [1999] No.125 the Official Reply on Approving the Establishment of Industrial Securities Co., Ltd.* issued by Fujian Economic System Reform Commission, the Company was approved by the Administration for Industry and Commerce of Fujian to be registered as Industrial Securities Co., Ltd., with a registered capital of RMB908 million.

On 28 September 2007, according to *Zheng Jian Ji Gou Zi [2007] No.246 the Official Reply on the Increase in Capital and Share of Industrial Securities Co., Ltd.* issued by CSRC, the Company increased its registered capital by RMB582 million, and the registered capital was RMB1.490 billion after the change.

On 24 December 2008, according to *Zheng Jian Xu Ke [2008] No.1441 the Official Reply on Approving the Change in the Registered Capital of Industrial Securities Co., Ltd.* issued by CSRC, the Company distributed 447 million bonus shares to all shareholders by converting retained earnings into capital, with a par value of RMB1 per share, increasing the registered capital by a total of RMB447 million, and the registered capital was RMB1.937 billion after the change.

On 9 September 2010, with the approval of *Zheng Jian Xu Ke [2010] No.1240 the Official Reply on Approving the Initial Public Offering of Shares of Industrial Securities Co., Ltd.* issued by CSRC, the Company issued 263 million RMB ordinary shares to the public. The total registered capital of the Company was RMB2.2 billion after the issuance. The Company’s stocks were listed on the Shanghai Stock Exchange (SSE) on 13 October 2010, with a stock short name of “Industrial Securities”, and the stock code is “601377”.

With the approval of *Zheng Jian Xu Ke [2013] No. 161 the Official Reply on Approving the Non-public Offering of Stocks of Industrial Securities Co., Ltd.* issued by CSRC on 16 February 2013, the Company was approved for the non-public offering of up to 400 million RMB ordinary shares (A Shares). On 26 April 2013, the Company completed the non-public offering of 400 million RMB ordinary shares (A Shares), increasing the total registered capital to RMB2.6 billion.

On 5 September 2014, based on the *Proposal on the Company's 2014 Semi-annual Conversion of Capital Reserve to Increase the Share Capital* approved at the second extraordinary general meeting of shareholders in 2014, the Company increased shares to all shareholders with the capital reserve by transferring 10 shares for every 10 shares, increasing the share capital by RMB2.6 billion. On 22 September 2014, the Company completed the conversion of capital reserve into share capital, and the total registered capital increased to RMB5.2 billion.

On 13 July 2015, with the approval of *Zheng Jian Xu Ke [2015] No.1631 the Official Reply on Approving the Allotment of Shares of Industrial Securities Co., Ltd.* issued by CSRC, the Company allotted shares to A Shares' shareholders at a ratio of 3 shares for every 10 shares. The Company completed the allotment of shares on 7 January 2016, 1,496,671,674 RMB ordinary shares (A Shares) were actually allotted to the original shareholders, increasing the total registered capital of the Company to RMB6,696,671,674.00.

On 18 February 2016, the Company held the first extraordinary general meeting of shareholders in 2016 and approved the *Proposal on the Share Repurchase of Industrial Securities*, the Company intended to conduct the share repurchase plan, and the repurchased shares will be used as the source of shares for the Company's employee stock ownership plan. The cumulative of shares repurchased by the Company was 68,000,243 shares. On 17 August 2017, the Company completed the stock transfer procedures for the employee stock ownership plan.

As at 31 December 2021, Fujian Provincial Department of Finance was the largest shareholder of the Company. The Group's total number of employees is 10,200, including 8 senior management personnel.

2 Registration place, organisational form and the address of the headquarters

As at 31 December 2021, the Company owned 109 branches, 158 business offices and certain subsidiaries. For information about the subsidiaries of the Company, please see Note V.

The Company's unified social credit code is 91350000158159898D, and the registration place is No.268 Hudong Road, Fuzhou, Fujian Province. The Company's headquarters is located at No.268 Hudong Road, Fuzhou, Fujian Province, and the legal representative is Yang Huahui.

3 The principal activities of the Company and its subsidiaries (referred to as the "Group") are:

Securities brokerage; securities investment consulting; financial advisory related to securities exchange and securities investment activities; securities underwriting and sponsorship; securities proprietary; securities margin trading; securities investment fund agency; financial product sales agency; custody business of securities investment funds; provision of intermediary business for futures companies; internet information services (not including news, publication, education, healthcare, medicine and medical devices) and electronic bulletin services; securities asset management; commodity futures brokerage and financial futures brokerage; fund raising, fund sales, asset management, asset management for specific customers; private investment fund business; property management services; lending and borrowing business; enterprise management consulting, business information consulting, market information consulting and investigation services; investments in financial products, equities, projects and investment management; investment consulting, etc. (For business activities subject to approval in accordance with laws and regulations, operations shall be conducted only with the approval of the relevant government authorities.)

II. Basis of preparation

The financial statements have been prepared on the going concern basis.

The Group has adopted the revised "Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement" and "Accounting Standard for Business Enterprises No. 14 – Revenue" and related new financial instruments standards, issued by the Ministry of Finance ("MOF") of the People's Republic of China in 2017, since 1 January 2019 and 1 January 2020. In addition, it has adopted the revised "Accounting Standard for Business Enterprises No. 21 – Leases" issued by the MOF in 2018 since 1 January 2021 (see Note III.27).

III Significant accounting policies and accounting estimates

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards ("CAS") issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2021, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the CSRC in 2014.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Operating cycle

The Company is a financial institution of which the operating cycle is not clearly identifiable.

4 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.8.

5 Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

(2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.15). If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.10(2)(b)); Any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

6 Consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) Disposal of subsidiaries

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdraw on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8 Foreign currency transactions and translation of foreign currency financial statements

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

The spot exchange rate is the rate of RMB quoted by the People's Bank of China. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the 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 re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operations are translated to Renminbi at the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments (see Note III.10), receivables, payables, loans and borrowings, debentures payable and share capital.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial or financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price in accordance with Note III.23.

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“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 other comprehensive income. This election is made on an investment-by-investment basis. The instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. 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.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group’s key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. 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, as well as a profit margin. The Group also assesses 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.

(b) Subsequent measurement of financial assets

- Financial assets at FVTPL

  These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI

  These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income 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. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or amortised cost.

- Financial liabilities at FVTPL

  A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

  Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial guarantee liabilities

  Financial guarantees are contracts that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

  Subsequent to initial recognition, deferred income related to financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note III.23. A financial guarantee liability is measured at the higher of:
  - the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Notes III.9(6)); and
  - the amount initially recognised less the cumulative amount of income.

- Financial liabilities at amortised cost

  These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- lease receivables; and
- financial guarantee contracts issued, which are not measured at FVTPL.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, 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 (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for accounts receivable, lease receivables and contract assets are always measured at an amount equal to lifetime ECL. 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 balance sheet date.

Except for accounts receivable, lease receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments, and at an amount equal to lifetime ECL for all other financial instruments.

- If the financial instrument is determined to have low credit risk at the balance sheet date;
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and 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.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- 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 balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments 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 or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-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.

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

10 Long-term equity investments

(1) Investment cost of long-term equity investments

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a bundled transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of previously-held investment and the consideration paid for the shares newly acquired is adjusted to capital premium in the capital reserve, with any excess adjusted to retained earnings.

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a bundled transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) Subsequent measurement of long-term equity investment

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale (see Note III.28). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of the investments in subsidiaries, refer to Note III.17.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.10(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.10(3)).

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.28).

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

- After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in joint ventures and associates, refer to Note III.17.

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

11 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line over its estimated useful life, unless the investment property is classified as held for sale (see Note III.28). For the impairment of the investment properties, refer to Note III.17.

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

Category	*Estimated useful life (years)*	*Residual value rate (%)*	*Depreciation rate (%)*
Plant and buildings	35	5	2.71

12 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.13.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the fixed asset is classified as held for sale (see Note III.28).

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Category	*Estimated useful life (years)*	*Residual value rate (%)*	*Depreciation rate (%)*
Plant and buildings	16 - 35	5	2.71 - 5.94
Machinery and equipment	2 - 11	1、5	8.64 - 49.50
Motor vehicles	6 - 8	5	11.88 - 15.83
Other equipment	5	5	19.00

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of the fixed assets, refer to Note III.17.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is holding for disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

13 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs, and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17).

14 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.17). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale (see Note III.28).

The respective amortisation periods for major intangible assets are as follows:

Item	*Amortisation period (years)*
Software	3-10

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year.

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. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

Expenditure on an internal research and development project is classified into expenditure incurred during the research phase and expenditure incurred during the development phase.

Expenditure during the research phase is expensed when incurred. Expenditure during the development phase is capitalised if development costs can be measured reliably, the product or process is technically and commercially feasible, and the Group intends to and has sufficient resources to complete the development. Capitalised development costs are stated in the balance sheet at cost less impairment losses (see Note III.17). Other development expenditure is recognised as an expense in the period in which it is incurred.

15 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.17). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

16 Long-term deferred expenses

Long-term deferred expenses are amortised using a straight-line method within the benefit period.

17 Impairment of assets other than financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term deferred expenses, etc.

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of goodwill and intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.18) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

18 Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

19 Financial assets held under resale agreements and financial assets sold under repurchase agreements

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

The cash advanced or received is recognised as amounts purchased under agreements to resell or sold under repurchase agreements in the balance sheet. Underlying assets purchased under agreements to resell are reported not as purchase of the assets but recorded as off-balance sheet items. Underlying assets sold under repurchase agreement are retained in the balance sheet.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognized as interest income and interest expenses respectively, over the life of each agreement using the effective interest method.

Initial cost less provision for impairments of financial assets held under resale agreements is stated in the balance sheet at cost less accumulated impairment losses (see Note III. 9(6)).

20 Employee benefits

(1) Salaries and other employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

21 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

22 Appropriation of profits

(1) Distributions to shareholders

Dividends distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

(2) Appropriation for general risk reserve

In accordance with the *Financial Rules for Financial Enterprises (Order of MOF No.42)* and the application guidance (Caijin [2007] No.23), and the *Notice of Annual Report of Securities Companies in 2007 (Zheng Jian Ji Gou Zi [2007] No.320)* issued by the CSRC, the Company is required to appropriate an amount equivalent to 10% of the net profit for the period to the general risk reserve and an amount equivalent to 10% of the net profit for the period to the trading risk reserve according to the Securities Law and Zheng Jian Ji Gou Zi [2007] No.320. Related subsidiaries of the Company appropriate general risk reserve or trading risk reserve according to relevant regulatory requirements. General risk reserve and trading risk reserve are included and accounted for in the general risk reserve.

23 Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) Fee and commission income

Fee and commission income is measured at the fair value of the consideration received or receivable under the contract or agreement during the provision of services in daily operation.

Relevant fee and commission income are recognized when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

(a) Income from brokerage business

Commission income from securities brokerage services and futures brokerage services are recognized at transaction date.

(b) Income from investment banking business

Commission income from underwriting business is recognized when the obligation is completed.

According to the terms of contract, income from sponsoring business is recognized during the process of performing obligation or when the obligation is completed.

(c) Income from financial advisory services

According to the nature of financial advisory services and proportion in the contract, income from financial advisory services is recognized during the process of performing obligation or when the obligation is completed.

(d) Income from asset management and fund management business

Income from asset management and fund management fee of entrusted clients to be enjoyed by the Company shall be calculated according to the criteria and proportion specified in the contract during the process of performing obligation and recognized as revenue if no significant reversals in the amount of cumulative revenue recognised will occur.

24 Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

25 Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised. Or included in other income or non-operating income directly.

26 Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
- the same taxable entity; or
- different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

27 Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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 assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.23.

(1) As a lessee

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, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.17.

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.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;

- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, 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 has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, 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 practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note III.9. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

28 Assets held for sale and discontinued operations

(1) Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use,.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition subject to terms that are usual and customary for sales of such assets or disposal groups;

- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.18) less costs to sell (except financial assets (see note III.9), deferred tax assets (see note III.26) and investment properties with subsequent measurement using the fair value model (see Note III.11)) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.18) less costs to sell is recognised as an impairment loss in profit or loss.

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;

- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;

- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

29 Margin trading and short selling business

The Group is engaged in margin financing and securities lending business, that is, the business activity of lending funds to customers for buying securities or lending securities for selling, and customers depositing the corresponding collateral.

(a) Margin financing

The Group lends funds to customers that forms debts, and recognizes the commissions fee as interest income according to the agreements of margin financing lending.

The recognition of reserve for margin financing refers to that of the financial assets measured at amortised cost from the impairment of financial assets.

(b) Securities lending

The group lends its own securities to customers with agreed terms and interest rates, and retrieves the same amount of the securities lent when the contract terminates. The Group recognizes the commissions fee as interest income according to the agreements of margin financing and securities lending. The securities lent does not satisfy the requirement of derecognition, thus continuing to be recognized as financial assets.

30 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of *Administrative Procedures on the Information Disclosures of Listed Companies* issued by the CSRC.

31 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 after taking the materiality principle into account. Two or more operating segments during comparative period may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of products and services, the nature of production processes, the types or classes 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. Reportable segments are identified based on operating segments taking into account of materiality principle.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies, in all material respects, are consistent with those for the consolidated financial statements.

32 Significant accounting estimates and judgements

The preparation of the 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 as well as underlying assumptions and uncertainties involved 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.

(1) Significant accounting estimates

Except for accounting estimates relating to depreciation and amortisation of assets such as investment properties, fixed assets and intangible assets (see Note III. 11, 12 and 14) and provision for impairment of various types of assets (see Note VI.1, 3, 6, 7, 14, 15, 16 and 18), other significant accounting estimates are as follows:

(a) Note VI.17: Recognition of deferred tax assets;
(b) Note XIV - Valuation of fair value of financial instruments

(2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

(a) Note V.2 - Structured entities or business entities that form control through entrusted operation

33 Changes in significant accounting policies and accounting estimates

(1) Description and reasons of changes in accounting policies

In 2021, the Group has adopted the following newly revised accounting standards and implementation guidance and illustrative examples issued by the MOF, mainly include:

- CAS No.21 - Lease (Revised) (Caikuai [2018] No.35) ("new lease standard")
- The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) and the Notice of Extending the Applicable Period of 'Accounting Treatment of COVID-19 Related Rent Concessions' (Caikuai [2021] No.9)
- CAS Bulletin No.14 (Caikuai [2021] No.1) ("Bulletin No. 14")

(a) New lease standard

New leases standard has revised CAS No.21 – Leases issued by the MOF in 2006 ("previous leases standard"). The Group has applied new leases standard since 1 January 2021 and has adjusted the related accounting policies.

New leases standard refines the definition of a lease. The Group assesses whether a contract is or contains a lease in accordance with the definition in new leases standard. For contracts existed before the date of initial application, the Group has elected not to reassess whether a contract is or contains a lease at the date of initial application and surplus.

- As a lessee

  Under previous leases standard, the Group classifies leases as operating or finance leases based on its assessment of whether the lease transfers significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

  Under new leases standard, the Group no longer distinguishes between operating leases and finance leases. The Group recognises right-of-use assets and lease liabilities for all leases (except for short-term leases and leases of low-value assets which are accounted for using practical expedient).

  For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group has elected to recognise the cumulative effect of adopting new leases standard as an adjustment to the opening balances of retained earnings and other related items in the financial statement in the initial year of application. Comparative information has not been restated.

For leases classified as operating leases before the date of initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. Right-of-use assets are measured at:

- An amount equal to the lease liability, adjusted by the amount of any prepaid lease payment. The Group applied this approach to all other leases.

The Group also uses the following practical expedients to account for leases classified as operating leases before the date of initial application:

- accounted for the leases for which the lease term ends within 12 months of the date of initial application as short-term leases;
- applied a single discount rate to leases with similar characteristics when measuring lease liabilities;
- excluded initial direct costs from measuring the right-of-use assets;
- determined the lease term according to the actual implementation or other updates of options before the date of initial application if the contract contains options to extend or terminate the lease;
- adjusted the right-of-use assets by the amount of onerous contract provision applying CAS No.13 – Contingencies immediately before the date of initial application, as an alternative to an impairment review;
- accounted for lease modifications before the initial year of application according to the final arrangement of the change under new leases standard without retrospective adjustments.

For leases classified as finance leases before the date of initial application, the right-of-use asset and the lease liability are measured at the original carrying amount of the assets under finance lease and obligations under finance leases at the date of initial application.

- As a lessor

Under new leases standard, the Group, as the lessor of a sub-lease, is required to assess the classification of the sub-lease with reference to the right-of-use asset, not the underlying asset. The Group reassess sub-leased that were classified as operating leases and are ongoing at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sub-lease at the date of initial application, and determined the classification of sub-lease applying this standard. For subleases that were classified as finance leases, the Group accounted for the sub-lease as a new finance lease.

The Group is not required to make any adjustments to the opening balances of retained earnings and other related items in the financial statements in the initial year of application and surplus for leases for which it acts as a lessor, except for sub-leases. The Group has applied new leases standard since the date of initial application.

The Group applies the requirements of transaction price allocation under the new revenue standard to allocate consideration in the contract to each lease and non-lease component under new leases standard.

- Effect of the application of new leases standard since 1 January 2021 on financial statements

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2021. The weighted average interest rates used by the Group and the Company are 3.46% - 4.00% and 3.46% respectively.

The total future minimum lease payments of significant operating leases disclosed in the financial statements as at 31 December 2020 and the reconciliation statement as at 1 January 2021:

	The Group	*The Company*
The total future minimum lease payments of significant operating leases disclosed in the consolidated financial statements as at 31 December 2020	1,099,129,417.55	803,487,730.23
Present value discounted using the Group's incremental borrowing rate at 1 January 2021	989,820,576.53	731,948,489.26
Lease liabilities under new leases standard at 1 January 2021	(917,589,133.44)	(667,930,522.43)
Difference between the present value and lease liabilities above (Note)	72,231,443.09	64,017,966.83

Note: The difference represents the short-term leases for which the lease term ends within 12 months of the date of initial application and low-value leases.

The impact of the above new lease standard on the line items in the consolidated and company balance sheets on 1 January 2021 are as follows:

	The Group		
	31 December 2020	*1 January 2021*	*Adjustments*
Assets:			
Cash at bank and on hand	48,924,494,020.52	48,924,494,020.52	-
Balances with clearing companies	7,308,103,925.30	7,308,103,925.30	-
Margin accounts	31,025,020,388.27	31,025,020,388.27	-
Derivative financial assets	49,479,531.67	49,479,531.67	-
Refundable deposits	6,922,793,130.17	6,922,793,130.17	-
Accounts receivable	1,951,852,142.60	1,951,852,142.60	-
Financial assets held under resale agreements	4,552,495,226.73	4,552,495,226.73	-
Financial investments:			
Financial assets held for trading	49,574,401,398.72	49,574,401,398.72	-
Other debt investments	21,592,386,057.78	21,592,386,057.78	-
Investments in other equity instruments	2,552,845,981.04	2,552,845,981.04	-
Long-term equity investments	2,333,951,696.91	2,333,951,696.91	-
Investment properties	103,247,201.06	103,247,201.06	-
Fixed assets	651,685,915.56	651,685,915.56	-
Right-of-use assets	-	940,128,462.86	940,128,462.86
Intangible assets	259,154,817.04	259,154,817.04	-
Goodwill	12,264,149.78	12,264,149.78	-
Deferred tax assets	1,109,217,090.86	1,109,217,090.86	-
Other assets	2,096,303,933.42	2,073,764,604.00	(22,539,329.42)
Total assets	181,019,696,607.43	181,937,285,740.87	917,589,133.44

	The Group		
	31 December 2020	*1 January 2021*	*Adjustments*
Liabilities and shareholders' equity			
Liabilities:			
Short-term loans	3,863,492,274.65	3,863,492,274.65	-
Short-term financing payables	8,583,219,337.18	8,583,219,337.18	-
Placements from banks and other financial institutions	530,079,333.33	530,079,333.33	-
Financial liabilities held for trading	2,617,019,758.20	2,617,019,758.20	-
Derivative financial liabilities	132,678,348.19	132,678,348.19	-
Financial assets sold under repurchase agreements	25,780,652,893.10	25,780,652,893.10	-
Accounts payable to brokerage and margin clients	44,535,262,960.73	44,535,262,960.73	-
Accounts payable to securities underwriting clients	136,603,936.40	136,603,936.40	-
Employee benefits payable	5,479,760,964.44	5,479,760,964.44	-
Taxes payable	1,866,394,695.66	1,866,394,695.66	-
Accounts payable	2,668,336,901.81	2,668,336,901.81	-
Contract liabilities	63,519,506.29	63,519,506.29	-
Debentures payable	43,175,255,512.22	43,175,255,512.22	-
Lease liabilities	-	917,589,133.44	917,589,133.44
Deferred tax liabilities	25,800,566.85	25,800,566.85	-
Other liabilities	726,195,156.71	726,195,156.71	-
Total liabilities	140,184,272,145.76	141,101,861,279.20	917,589,133.44
Shareholders' equity:			
Share capital	6,696,671,674.00	6,696,671,674.00	-
Capital reserve	14,376,951,849.01	14,376,951,849.01	-
Other comprehensive income	356,092,965.10	356,092,965.10	-
Surplus reserve	2,010,988,801.99	2,010,988,801.99	-
General risk reserve	5,018,446,395.58	5,018,446,395.58	-
Retained earnings	9,279,419,567.64	9,279,419,567.64	-
Total equity attributable to shareholders of the Company	37,738,571,253.32	37,738,571,253.32	-
Non-controlling interests	3,096,853,208.35	3,096,853,208.35	-
Total shareholders' equity	40,835,424,461.67	40,835,424,461.67	-
Total liabilities and shareholders' equity	181,019,696,607.43	181,937,285,740.87	917,589,133.44

	The Company		
	31 December 2020	*1 January 2021*	*Adjustments*
Assets:			
Cash at bank and on hand	32,496,752,209.96	32,496,752,209.96	-
Balances with clearing companies	6,796,602,167.55	6,796,602,167.55	-
Margin accounts	28,985,134,592.91	28,985,134,592.91	-
Derivative financial assets	46,632,031.61	46,632,031.61	-
Refundable deposits	1,667,766,267.93	1,667,766,267.93	-
Accounts receivable	360,009,066.10	360,009,066.10	-
Financial assets held under resale agreements	3,558,585,108.10	3,558,585,108.10	-
Financial investments:			
Financial assets held for trading	34,715,882,068.71	34,715,882,068.71	-
Other debt investments	21,592,386,057.78	21,592,386,057.78	-
Investments in other equity instruments	2,552,845,981.04	2,552,845,981.04	-
Long-term equity investments	7,082,317,924.34	7,082,317,924.34	-
Investment properties	101,237,931.94	101,237,931.94	-
Fixed assets	607,029,042.15	607,029,042.15	-
Right-of-use assets	-	690,239,091.77	690,239,091.77
Intangible assets	228,674,133.34	228,674,133.34	-
Deferred tax assets	641,073,855.62	641,073,855.62	-
Other assets	1,814,127,068.56	1,791,818,499.22	(22,308,569.34)
Total assets	143,247,055,507.64	143,914,986,030.07	667,930,522.43

	The Company		
	31 December 2020	*1 January 2021*	*Adjustments*
Liabilities and shareholders' equity			
Liabilities:			
Short-term financing payables	8,524,498,282.71	8,524,498,282.71	-
Placements from banks and other financial institutions	530,079,333.33	530,079,333.33	-
Derivative financial liabilities	86,641,470.54	86,641,470.54	-
Financial assets sold under repurchase agreements	23,007,824,489.27	23,007,824,489.27	-
Accounts payable to brokerage and margin clients	28,866,776,049.87	28,866,776,049.87	-
Accounts payable to securities underwriting clients	136,603,936.40	136,603,936.40	-
Employee benefits payable	3,668,011,201.22	3,668,011,201.22	-
Taxes payable	856,652,117.82	856,652,117.82	-
Accounts payable	1,131,386,650.43	1,131,386,650.43	-
Contract liabilities	62,310,189.99	62,310,189.99	-
Debentures payable	41,255,225,943.40	41,255,225,943.40	-
Lease liabilities	-	667,930,522.43	667,930,522.43
Other liabilities	272,640,905.58	272,640,905.58	-
Total liabilities	108,398,650,570.56	109,066,581,092.99	667,930,522.43
Shareholders' equity:			
Share capital	6,696,671,674.00	6,696,671,674.00	-
Capital reserve	14,234,115,813.82	14,234,115,813.82	-
Other comprehensive income	320,710,468.78	320,710,468.78	-
Surplus reserve	2,010,988,801.99	2,010,988,801.99	-
General risk reserve	3,803,211,714.58	3,803,211,714.58	-
Retained earnings	7,782,706,463.91	7,782,706,463.91	-
Total shareholders' equity	34,848,404,937.08	34,848,404,937.08	-
Total liabilities and shareholders' equity	143,247,055,507.64	143,914,986,030.07	667,930,522.43

(b) Caikuai [2020] No.10 and Caikuai [2021] No.9

The Accounting Treatment of COVID-19 Related Rent Concessions (Caikuai [2020] No.10) provides a practical expedient under certain conditions for rent concessions occurring as a direct consequence of the Covid-19 pandemic. If an entity elects to apply the practical expedient, the entity does not need to assess whether a lease modification has occurred or to reassess the lease classification. Combining the requirements of Caikuai [2021] No.9, such practical expedient is only applicable to any reduction in lease payments due before 30 June 2022. Cumulative effects of adopting Caikuai [2020] No. 10 and Caikuai [2021] No.9 are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of the above regulations does not have significant effect on the financial position and financial performance of the Group.

(c) Bulletin No.14

Bulletin No.14 takes effect on 26 January 2021 (implementation date).

(i) "Public-private partnership" (PPP) arrangements

Bulletin No.14 clarifies the features and conditions of PPP arrangements, sets out the accounting and disclosure requirements of a private entity in PPP arrangements. Item 5 of CAS Bulletin No.2 (Caikuai [2008] No.11) on "How to account for entities participating in public infrastructure construction businesses under build-operate-transfer arrangement" is repealed accordingly.

PPP arrangements which are commenced before 31 December 2020 and not completed on the implementation date and new PPP arrangements occurred during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings and other relevant line items in the financial statements for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(ii) Benchmark interest rate reform

Bulletin No.14 introduces the accounting and disclosure requirements for the modification of financial instruments and lease liabilities resulting from the benchmark interest rate reform. Transactions related to the benchmark interest rate reform that occurred before 31 December 2020 and during 1 January 2021 to the implementation date are subject to retrospective adjustments. Cumulative effects are adjusted to the opening retained earnings or other comprehensive income for the year 2021. Comparative information is not restated.

The adoption of Bulletin No.14 does not have significant effect on the financial position and financial performance of the Group.

(2) Changes in accounting estimates

There are no changes in significant accounting estimates during the reporting period.

IV Taxation

The applicable taxes and fees related to our services provided and other operations are VAT, city maintenance and construction tax, education surcharge and local education surcharge, corporate income tax, etc.

Tax type	*Tax basis*
Value-added tax (VAT) (i)	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
Urban maintenance and construction tax	Based on VAT paid
Education surcharges and local education surcharges	Based on VAT paid
Corporate income tax (ii)	Based on taxable profits

(i) Value-added tax (VAT)

Pursuant to the *Public Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner(Caishui [2016] No. 36) of the Ministry of Finance and the State Administration of Taxation*, the *Circular on Further Clarifying Polices Concerning the Financial Industry During the Comprehensive Promotion of the Pilot Program of Replacing Business Tax with Value-Added Tax (Cai Shui [2016] No. 46)* and the *Supplemental Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Financial Transactions between Financial Institutions and Other Matters (Cai Shui [2016] No. 70)*, the Company's revenue from principal activities has been applicable for VAT since 1 May 2016, at a tax rate of 6%.

According to *Notice on Clarifying VAT Policies for Financial Services, Real Estate Development, and Educational Ancillary Services (Cai Shui [2016] No. 140)*, *Supplementary Notice on Issues concerning VAT Policies for Asset Management Products (Cai Shui [2017] No. 2)* and *Notice on Issues Relating to VAT on Fund Management Products (Cai Shui [2017] No. 56)* issued by the Ministry of Finance and State Administration of Taxation, effective from 1 January 2018, the simple tax computation method shall apply in the interim to VAT taxable acts arising in the course of operation of fund management products by managers of fund management products (hereinafter referred to as the "managers"), and VAT shall be payable in accordance with the 3% levy rate.

(ii) Corporate income tax

In 2021, except the domestic subsidiary of the Company - Fuzhou Xingzheng Property Management Co., Ltd. (福州兴证物业管理有限公司) is subject to a tax rate of 2.5%, the Company and other subsidiaries in China are all subject to an income tax rate of 25%. Taxes of other overseas subsidiaries are charged at the relevant local rates.

V Business combinations and consolidated financial statements

1 Information about the subsidiaries

(1) Major subsidiaries acquired through establishment as at 31 December 2021

Name of the subsidiary	*Registered place*	*Paid-in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
1. Xingye Chuangxin Capital Management Co., Ltd.	Fuzhou	RMB700 million	Equity investments, financial advisory services	100.00%	-	100.00%	-
1) Fujian Xingtan Private Equity Investment Management Co., Ltd. (福建省兴潭私募股权投资管理有限公司)	Pingtan, Fuzhou	RMB 5 million	Equity investment management and consulting	-	80.00%	-	80.00%
2. Industrial Securities (Hong Kong) Financial Holdings Limited (“Industrial Securities (Hong Kong)”) (兴证(香港)金融控股有限公司)	Hong Kong	HKD3 billion	Investment holding	100.00%	-	100.00%	-
1) Industrial Securities Consulting Service Co., Ltd. (兴证咨询服务 (深圳) 有限公司)	Shenzhen	HKD10 million	Consulting services	-	100.00%	-	100.00%
2) China Industrial Securities International Financial Group Limited (“Industrial Securities International”) (Note 1)	Cayman Islands	HKD400 million	Investment holding	-	51.93%	-	51.93%
(i) China Industrial Securities International Brokerage Limited	Hong Kong	HKD3.5 billion	Securities trading	-	51.93%	-	51.93%
(ii) China Industrial Securities International Asset Management Limited	Hong Kong	HKD20 million	Asset management	-	51.93%	-	51.93%
(iii) China Industrial Securities International Futures Limited	Hong Kong	HKD50 million	Futures brokerage	-	51.93%	-	51.93%
(iv) China Industrial Securities International Capital Limited	Hong Kong	HKD50 million	Financing services	-	51.93%	-	51.93%
(v) China Industrial Securities International Investment Limited	Hong Kong	HKD20 million	Investment	-	51.93%	-	51.93%
- CISI Investment Limited	British Virgin Islands	USD2.5 million	Proprietary investment	-	51.93%	-	51.93%
- CISI Capital Management Limited	British Virgin Islands	USD1	Proprietary investment	-	51.93%	-	51.93%

Name of the subsidiary	*Registered place*	*Paid-in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
(vi) China Industrial Securities International Wealth Management Limited	Hong Kong	HKD1 million	Private wealth management	-	51.93%	-	51.93%
3) IS (Hong Kong) Investment Limited	British Virgin Islands	USD1	Special purpose entity	-	100.00%	-	100.00%
3. China Industrial Securities Asset Management Co., Ltd. (兴证证券资产管理有限公司)	Pingtan, Fuzhou	RMB800 million	Asset management services	100.00%	-	100.00%	-
4. China Industrial Securities Investment Management Co., Ltd. (兴证投资管理有限公司)	Pingtan, Fuzhou	RMB5.7 billion	Investment management services	100.00%	-	100.00%	-
5. Fuzhou Xingzheng Property Management Co., Ltd. (福州兴证物业管理有限公司)	Fuzhou	RMB500,000	Property management services	100.00%	-	100.00%	-
6. China Industrial Securities Global Capital Management (Shanghai) Co., Ltd. (兴证全球资本管理 (上海) 有限公司) (Note 2)	Shanghai	RMB80 million	Asset management services	-	51.00%	-	51.00%
7. China Industrial Securities Risk Management Co., Ltd. (兴证风险管理有限公司) (Note 3)	Shanghai	RMB200 million	Risk management services	-	99.55%	-	99.55%

Note 1: China Industrial Securities International Financial Group Limited is company listed on the main board of the Hong Kong Stock Exchange with the stock code of 6058.HK.

Note 2: China Industrial Securities Global Capital Management (Shanghai) Co., Ltd. is a subsidiary established by Aegon-industrial Fund Management Co., Ltd.(兴证全球基金管理有限公司) - a holding subsidiary of the Company, and the Company directly holds 100% equity of China Industrial Securities Global Capital Management (Shanghai) Co., Ltd.

Note 3: Industrial Securities Risk Management Co., Ltd. is a 100% direct holding subsidiary established by China Industrial Securities Futures Co., Ltd. （兴证期货有限公司） , the Company's controlling subsidiary.

(2) Major subsidiaries acquired through business combinations involving entities not under common control

Name of the subsidiary	*Registered place*	*Paid -in capital*	*Business nature*	*Proportion of equity held by the Company*		*Proportion of voting rights of the Company*	
				Direct	*Indirect*	*Direct*	*Indirect*
Aegon-industrial Fund Management Co., Ltd. (兴证全球基金管理有限公司) (hereinafter referred to as "AEGON-Industrial Fund")	Shanghai	RMB150 million	Fund management	51.00%	-	51.00%	-
China Industrial Securities Futures Co., Ltd. (兴证期货有限公司) (hereinafter referred to as "Industrial Futures")	Fuzhou	RMB1.2 billion	Futures brokerage	99.55%	-	99.55%	-

2 Structured entities or business entities that form control through entrusted operation

The Group manages or invests in a number of structured entities, mainly including contractual fund (including private equity), wealth management products issued by banks, asset management schemes, trust schemes and limited partnerships. In order to assess whether the Group has control over the structured entities, it mainly considers the its extent of decision making and participation in establishing relevant structured entities, the aggregated economic interest (including the gain from holding a direct investment and expected remuneration) set out in the contractual arrangement, as well as the scope of decision making authority over the structured entities. If the Group determined that it has power over, has exposure to variable returns from its involvement with, and has ability to use its power to affect the amount of its returns from the structured entities, it will include the structured entities in the consolidated financial statement as the Group has control over the structured entities.

As at 31 December 2021 and 31 December 2020, the total net assets of the Group's structured entities included in the consolidation scope amounted to RMB11,688 million and RMB11,740 million, respectively. As at 31 December 2021, the interests of the Company and its subsidiaries in the above-mentioned structured entities as reflected in the balance sheets included financial assets held for trading of RMB9,113 million and long-term equity investment of RMB302 million. As at 31 December 2020, the interests of the Company and its subsidiaries in the above-mentioned structured entities as reflected in the balance sheets included financial assets held for trading of RMB8,560 million and long-term equity investment of RMB218 million.

As at 31 December 2021 and 31 December 2020, the Group considered that the above structured entities were controlled by the Group, and included them in the scope of the consolidated financial statements.

3 Subsidiaries included in the scope of the consolidated financial statements but in which the parent company owns half or less of the voting rights

As at 31 December 2021 and 31 December 2020, the Group has no significant subsidiaries included in the scope of the consolidated financial statements but in which the parent company owns half or less of the voting rights.

4 Investees in which the Company owns over half of the voting rights but fails to exercise control

As at 31 December 2021 and 31 December 2020, the Group has no significant investees in which the Group owns over half of the voting rights but fails to exercise control.

5 Change of consolidation scope

In 2021, except the structured entities included in the consolidation scope as stated in Note V.2, please see Note V.6 for the change of consolidation scope.

6 Subsidiaries that have changes in consolidation scope

(1) Key subsidiaries newly consolidated during the year

The Group has no key subsidiaries newly consolidated during the year.

(2) Subsidiaries that ceased to be consolidated during the year

The Group's subsidiary - China Industrial Securities International Finance Limited was cancelled in accordance with laws during the year.

The Group's subsidiary - Zhuhai Industrial Securities Liuhe Entrepreneurship Investment Management Co., Ltd. changed its equity in December 2021 and is no longer included in the consolidation scope.

7 Business combinations involving entities under common control during the year

The Group has no significant business combinations involving enterprises under common control during the year.

8 Business combinations involving entities not under common control occurred during the year

The Group has no significant business combinations involving enterprises not under common control during the year.

9 Exchange rates of major statement items of foreign operations

	Spot exchange rate	
	31 December 2021	*31 December 2020*
USD	6.37570	6.52490
HKD	0.81760	0.84164

VI Notes to the consolidated financial statements

1 Cash at bank and on hand

(1) By category

	31 December 2021 RMB	31 December 2020 RMB
Cash on hand	-	52,044.00
Deposits with banks	66,790,825,547.10	48,870,180,195.80
Including: Customer deposits	51,191,896,726.28	33,966,321,465.71
Corporate deposits	15,598,928,820.82	14,903,858,730.09
Other monetary deposits	64,278,972.28	54,874,891.07
Less: Provision for impairment	(670,668.24)	(613,110.35)
Total	66,854,433,851.14	48,924,494,020.52

As at 31 December 2021, cash at bank and on hand included bank deposits and interest in the fundraising accounts of the asset management products for which the Company acted as the custodian, totalling RMB1,055,465,994.21 (31 December 2020: RMB399,491,564.69).

(2) Cash at bank and on hand by currency

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Cash on hand	-		-
Including: RMB	-	1.00000	-
Deposits with banks			66,790,825,547.10
Including: Corporate deposits			15,598,928,820.82
Including: RMB	11,329,474,041.59	1.00000	11,329,474,041.59
USD	240,235,498.09	6.37570	1,531,669,465.18
HKD	3,332,567,890.90	0.81760	2,724,707,507.60
Others			13,077,806.45
Customer deposits			51,191,896,726.28
Including: RMB	48,127,641,936.46	1.00000	48,127,641,936.46
USD	99,652,650.77	6.37570	635,355,405.52
HKD	2,964,000,965.11	0.81760	2,423,367,189.07
Others			5,532,195.23
Other monetary deposits			64,278,972.28
Including: RMB	64,278,972.28	1.00000	64,278,972.28
Sub-total			66,855,104,519.38
Less: Provision for impairment			(670,668.24)
Total			66,854,433,851.14

Including: Margin trading and securities lendings

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits for margin trading			2,267,956,990.37
Including: RMB	2,267,956,990.37	1.00000	2,267,956,990.37
Customer deposits for margin trading			4,060,038,781.17
Including: RMB	4,060,038,781.17	1.00000	4,060,038,781.17
Total			6,327,995,771.54

		31 December 2020	
	Amount in original currency	Exchange rate	Amount in RMB
Cash on hand			52,044.00
Including: RMB	52,044.00	1.00000	52,044.00
Deposits with banks			48,870,180,195.80
Including: Corporate deposits			14,903,858,730.09
Including: RMB	13,179,924,221.19	1.00000	13,179,924,221.19
USD	140,886,865.93	6.52490	919,272,711.50
HKD	953,658,964.01	0.84164	802,637,530.47
Others			2,024,266.93
Customer deposits			33,966,321,465.71
Including: RMB	31,295,478,183.59	1.00000	31,295,478,183.59
USD	124,556,348.75	6.52490	812,717,719.98
HKD	2,196,548,244.38	0.84164	1,848,702,864.40
Others			9,422,697.74
Other monetary deposits			54,874,891.07
Including: RMB	54,874,891.07	1.00000	54,874,891.07
Sub-total			48,925,107,130.87
Less: Provision for impairment			(613,110.35)
Total			48,924,494,020.52

Including: Margin trading and short selling business

	31 December 2020		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits for margin trading			1,880,627,211.41
Including: RMB	1,880,627,211.41	1.00000	1,880,627,211.41
Customer deposits for margin trading			3,128,526,623.00
Including: RMB	3,128,526,623.00	1.00000	3,128,526,623.00
Total			5,009,153,834.41

(3) Cash with restricted usage

As at 31 December 2021, the Group's cash with restricted usage totalled RMB2,494,346,146.37 (31 December 2020: RMB1,767,579,904.58), which was mainly the general risk reserve of the Company's subsidiaries of RMB2,371,980,784.74 as at 31 December 2021 (31 December 2020: RMB1,734,880,600.36).

2 Balances with clearing companies

(1) By category

	31 December 2021 Amount in RMB	*31 December 2020* Amount in RMB
Corporate deposits	2,970,702,902.64	1,333,719,890.54
Customer deposits	3,641,705,077.19	5,974,384,034.76
Total	6,612,407,979.83	7,308,103,925.30

(2) By currency

	31 December 2021		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits			2,970,702,902.64
Including: RMB	2,970,702,902.64	1.00000	2,970,702,902.64
Customer ordinary deposits			3,377,179,336.46
Including: RMB	3,322,288,134.30	1.00000	3,322,288,134.30
USD	7,304,974.42	6.37570	46,574,325.41
HKD	10,172,305.22	0.81760	8,316,876.75
Customer credit deposits			264,525,740.73
Including: RMB	264,525,740.73	1.00000	264,525,740.73
Total			6,612,407,979.83

	31 December 2020		
	Amount in original currency	*Exchange rate*	*Amount in RMB*
Corporate deposits			1,333,719,890.54
Including: RMB	1,333,719,890.54	1.00000	1,333,719,890.54
Customer ordinary deposits			5,326,008,299.82
Including: RMB	5,285,664,909.23	1.00000	5,285,664,909.23
USD	5,123,309.86	6.52490	33,429,084.51
HKD	8,215,277.41	0.84164	6,914,306.08
Customer credit deposits			648,375,734.94
Including: RMB	648,375,734.94	1.00000	648,375,734.94
Total			7,308,103,925.30

3 Margin accounts

(1) By category

	31 December 2021 RMB	*31 December 2020* RMB
Securities margin trading	33,878,221,544.82	29,110,731,484.92
Margin financing	1,352,841,866.08	2,663,723,604.50
Less: Provision for impairment	(772,588,992.36)	(749,434,701.15)
Net margin accounts	34,458,474,418.54	31,025,020,388.27

(2) By ageing

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1 - 3 months	16,666,384,968.36	47.30	16,422,504.13	0.10
3 - 6 months	6,276,527,010.14	17.82	6,106,962.49	0.10
More than 6 months	12,288,151,432.40	34.88	750,059,525.74	6.10
Total	35,231,063,410.90	100.00	772,588,992.36	2.19

	31 December 2020			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1 - 3 months	16,362,902,218.11	51.50	15,557,626.43	0.10
3 - 6 months	7,662,130,246.78	24.11	50,026,358.44	0.65
More than 6 months	7,749,422,624.53	24.39	683,850,716.28	8.82
Total	31,774,455,089.42	100.00	749,434,701.15	2.36

(3) By customer type

	31 December 2021	*31 December 2020*
Domestic		
Including: Individuals	27,914,501,862.62	24,746,442,161.01
Institutions	5,963,719,682.20	4,364,289,323.91
Less: Provision for impairment	(89,565,830.76)	(125,596,892.01)
Sub-total of carrying amount	33,788,655,714.06	28,985,134,592.91
Overseas		
Including: Individuals	1,152,853,199.59	697,205,158.13
Institutions	199,988,666.49	1,966,518,446.37
Less: Provision for impairment	(683,023,161.60)	(623,837,809.14)
Sub-total of carrying amount	669,818,704.48	2,039,885,795.36
Total	34,458,474,418.54	31,025,020,388.27

(4) Collaterals

	31 December 2021	*31 December 2020*
Cash	4,037,829,658.42	3,647,769,887.36
Bonds	432,742,116.44	1,109,557,595.05
Stocks	110,497,575,574.89	99,942,949,365.29
Funds	1,702,063,582.68	3,202,829,699.31
Others	3,498,783.30	7,240,461.76
Total	116,673,709,715.73	107,910,347,008.77

4 Derivative financial instruments

	31 December 2021					
	Derivative financial instruments used for hedge			*Derivative financial instruments used for non-hedge*		
		Fair value			*Fair value*	
	Notional amount	*Assets*	*Liabilities*	*Notional amount*	*Assets*	*Liabilities*
Interest rate derivatives						
-Interest rate swap contracts	-	-	-	7,740,000,000.00	2,631,482.08	-
-Treasury bond future contracts	-	-	-	342,584,000.00	-	-
Equity derivatives						
-Stock index future contracts	-	-	-	5,096,541,960.00	-	-
-Equity income swaps	-	-	-	5,168,765,932.84	183,830,745.62	(226,596,231.05)
-Stock index option contracts	-	-	-	1,521,324,839.21	33,089,161.06	(24,192,382.20)
-Over-the-counter option contracts	-	-	-	13,695,736,678.90	47,529,612.40	(219,030,205.09)
Credit derivatives	-	-	-	828,993,256.00	-	(871,865.47)
Other derivatives						
-Commodity future contracts	-	-	-	6,041,587,970.00	-	-
-Commodity option contracts	-	-	-	888,538,400.00	1,675,831.43	(4,053,658.23)
Total	-	-	-	41,324,073,036.95	268,756,832.59	(474,744,342.04)

	31 December 2020					
	Derivative financial instruments used for hedge			*Derivative financial instruments used for non-hedge*		
		Fair value			*Fair value*	
	Notional amount	*Assets*	*Liabilities*	*Notional amount*	*Assets*	*Liabilities*
Interest rate derivatives						
-Interest rate swap contracts	-	-	-	9,460,000,000.00	-	-
-Treasury bond future contracts	-	-	-	58,779,000.00	-	-
Equity derivatives						
-Stock index future contracts	-	-	-	3,297,598,380.00	-	-
-Equity income swaps	-	-	-	1,094,153,588.88	10,533,278.89	(14,535,930.29)
-Stock index option contracts	-	-	-	1,406,589,618.50	18,890,809.88	(84,566,078.06)
-Over-the-counter option contracts	-	-	-	17,287,255,648.39	16,624,217.84	(28,351,318.76)
Credit derivatives	-	-	-	848,193,009.04	1,451,649.71	(2,195,498.74)
Other derivatives						
-Commodity future contracts	-	-	-	2,471,306,935.00	-	-
-Commodity option contracts	-	-	-	188,984,600.00	1,979,575.35	(3,029,522.34)
Total	-	-	-	36,112,860,779.81	49,479,531.67	(132,678,348.19)

Offset derivative financial instruments

	31 December 2021			31 December 2020		
	Total before offsetting	*Amount offset*	*Net amount after offsetting*	*Total before offsetting*	*Amount offset*	*Net amount after offsetting*
Interest rate swap contracts	1,327,178.21	(1,327,178.21)	-	(190,804.11)	190,804.11	-
Treasury bond future contracts	(3,067,000.00)	3,067,000.00	-	(143,000.00)	143,000.00	-
Stock index future contracts	84,484,090.34	(84,484,090.34)	-	(2,847,017.21)	2,847,017.21	-
Commodity future contracts	(2,627,670.00)	2,627,670.00	-	18,345,466.63	(18,345,466.63)	-
Total	80,116,598.55	(80,116,598.55)	-	15,164,645.31	(15,164,645.31)	-

Under the daily mark-to-market and settlement arrangement, balances with clearing companies include changes in fair value arising from treasury bond futures, interest rate swaps, stock index futures and commodity futures held by the Group. Therefore, treasury bond futures, interest rate swaps, stock index futures and commodity futures under derivative financial assets and derivative financial liabilities are listed according to the net amount after offsetting relevant temporary receipt and payment.

5 Refundable deposits

(1) By category

	31 December 2021	31 December 2020
Trading margin	7,313,545,278.74	5,744,095,569.67
Credit deposits	60,317,466.56	80,897,033.84
Performance deposits	1,807,313,274.42	1,097,800,526.66
Total	9,181,176,019.72	6,922,793,130.17

(2) By currency

		31 December 2021		
		Amount in original currency	Exchange rate	Amount in RMB
Trading margin				7,313,545,278.74
Including:	RMB	7,200,720,000.25	1.00000	7,200,720,000.25
	USD	15,123,292.86	6.37570	96,421,578.30
	HKD	20,063,234.09	0.81760	16,403,700.19
Credit deposits				60,317,466.56
Including:	RMB	60,317,466.56	1.00000	60,317,466.56
Performance deposits				1,807,313,274.42
Including:	RMB	1,795,123,490.97	1.00000	1,795,123,490.97
	HKD	14,909,226.33	0.81760	12,189,783.45
Total				9,181,176,019.72

		31 December 2020		
		Amount in original currency	*Exchange rate*	*Amount in RMB*
Trading margin				5,744,095,569.67
Including:	RMB	5,603,204,462.88	1.00000	5,603,204,462.88
	USD	18,017,299.45	6.52490	117,561,077.16
	HKD	27,719,725.33	0.84164	23,330,029.63
Credit deposits				80,897,033.84
Including:	RMB	80,897,033.84	1.00000	80,897,033.84
Performance deposits				1,097,800,526.66
Including:	RMB	1,085,147,064.95	1.00000	1,085,147,064.95
	HKD	15,034,292.23	0.84164	12,653,461.71
Total				6,922,793,130.17

(3) Refundable deposits with restricted usage

As at 31 December 2021, the Group's refundable deposits as the collaterals under the refinancing agreement amounted to RMB72,157,311.35 (31 December 2020: RMB595,771,066.58).

6 Accounts receivable

(1) By detail

	31 December 2021	31 December 2020
Settlement receivable	667,376,683.85	976,028,877.75
Fee and commission receivable	1,041,084,931.25	951,834,412.17
Others	597,413.43	38,041,002.96
Sub-total	1,709,059,028.53	1,965,904,292.88
Less: Provision for bad and doubtful debts (provision made using a simplified model)	(17,677,193.49)	(14,052,150.28)
Total	1,691,381,835.04	1,951,852,142.60

(2) By ageing

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,641,508,319.16	96.05	2,224,644.52	0.14
1 - 2 years	37,849,599.63	2.21	4,646,461.91	12.28
2 - 3 years	16,561,774.77	0.97	3,312,354.95	20.00
Over 3 years	13,139,334.97	0.77	7,493,732.11	57.03
Total	1,709,059,028.53	100.00	17,677,193.49	1.03

	31 December 2020			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,910,828,094.06	97.20	3,133,323.68	0.16
1 - 2 years	28,408,890.28	1.44	2,833,809.17	9.98
2 - 3 years	17,993,239.80	0.92	3,598,647.96	20.00
Over 3 years	8,674,068.74	0.44	4,486,369.47	51.72
Total	1,965,904,292.88	100.00	14,052,150.28	0.71

The ageing is counted starting from the date when receivables are recognised.

(3) By impairment assessment method

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Individual assessment	1,828,810.83	0.11	1,221,462.75	66.79
Collective assessment	1,707,230,217.70	99.89	16,455,730.74	0.96
Total	1,709,059,028.53	100.00	17,677,193.49	1.03

	31 December 2020			
	Book value		Provision for bad and doubtful debts	
	Amount	*Percentage (%)*	*Amount*	*Percentage (%)*
Individual assessment	1,625,781.76	0.08	1,625,781.76	100.00
Collective assessment	1,964,278,511.12	99.92	12,426,368.52	0.63
Total	1,965,904,292.88	100.00	14,052,150.28	0.71

(4) Additions, recoveries or reversals of provision for bad and doubtful debts during the year

(a) Movements of provision for bad and doubtful debts for the year

Please see Note VI.19.

(b) Significant recoveries or reversals during the year

The Group has no significant recoveries or reversals during the year.

(c) Significant receivables written off during the year

The Group has no significant receivables written off during the year.

(5) Five largest accounts receivable

	31 December 2021			
	Nature	Amount	Ageing	Percentage of total receivables (%)
Hong Kong Securities Clearing Company Limited	Settlement receivable	124,562,505.58	Within 1 year	7.29
Marex Hong Kong Limited	Settlement receivable	85,170,059.51	Within 1 year	4.98
Phillip Securities (Hong Kong) Limited	Settlement receivable	65,756,264.61	Within 1 year	3.85
China Construction Bank (Asia) Corporation Limited	Settlement receivable	63,892,691.13	Within 1 year	3.74
Xingquan Herun Fund (兴全合润基金)	Product management fees receivable	41,361,892.64	Within 1 year	2.42
Total		380,743,413.47		22.28

	31 December 2020			
	Nature	Amount	Ageing	Percentage of total receivables (%)
Hong Kong Securities Clearing Company Limited	Settlement receivable	461,387,941.82	Within 1 year	23.47
Marex Hong Kong Limited	Settlement receivable	192,707,023.25	Within 1 year	9.80
Euroclear Bank S.A./N.V.	Settlement receivable	70,895,615.12	Within 1 year	3.61
Phillip Securities (Hong Kong) Limited	Settlement receivable	65,478,130.29	Within 1 year	3.33
Xingquan Qushi Fund (兴全趋势基金)	Product management fees receivable	42,476,060.13	Within 1 year	2.16
Total		832,944,770.61		42.37

7 Financial assets held under resale agreements

(1) By types of underlying assets financial assets held under resale agreements

	31 December 2021	31 December 2020
Stocks	2,645,003,081.75	4,601,671,963.91
Bonds	3,978,854,930.52	609,673,677.70
Equities	73,846,413.15	76,598,710.76
Sub-total	6,697,704,425.42	5,287,944,352.37
Less: Provision for impairment	(26,039,498.48)	(735,449,125.64)
Total	6,671,664,926.94	4,552,495,226.73

(2) By class of business financial assets held under resale agreements

	Note	*31 December 2021*	*31 December 2020*
Stock-pledged financing	(a)	2,645,003,081.75	4,601,671,963.91
Bonds-backed lending repurchase		3,880,115,437.91	274,583,931.58
Other bond repurchase		172,585,905.76	411,688,456.88
Sub-total		6,697,704,425.42	5,287,944,352.37
Less: Provision for impairment		(26,039,498.48)	(735,449,125.64)
Total		6,671,664,926.94	4,552,495,226.73

(a) Remaining maturity and balance of bonds-backed lending repurchase of financial assets held under resale agreements are analyzed as followsfinancial assets held under resale agreements:

	31 December 2021	*31 December 2020*
Within 1 month	402,111,849.21	1,713,622,843.59
1 - 3 months	509,826,279.23	320,413,333.34
3 months - 1 year	1,367,298,953.30	1,554,812,675.87
Over 1 years	365,766,000.01	1,012,823,111.11
Sub-total	2,645,003,081.75	4,601,671,963.91
Less: Provision for impairment	(25,761,287.47)	(735,270,775.39)
Total	2,619,241,794.28	3,866,401,188.52

(3) Collaterals

	31 December 2021	*31 December 2020*
Collaterals	11,175,734,368.74	10,482,092,735.13
Including: Available-for-sale or repledged collaterals	-	-
Including: Sold or repledged collaterals	-	-

Note: For treasury bond reverse repurchase transactions operated by the exchange, because it is the full value of the collateral automatically calculated and merged by the exchange, information of counter party's pledge database cannot be obtained. Therefore, the amount could not be disclosed, and fair value of the collateral assets obtained by the exchange's treasury bond reverse repurchase is not included in this amount. As at 31 December 2021, the financial assets held under resale agreements guaranteed was RMB1,079,133,070.59 (31 December 2020: RMB124,503,372.67).

(4) Additions, recoveries or reversals of provision for impairment during the year

(a) Movements of provisions for impairment for the year

Please see Note VI.19.

(b) Significant recoveries or reversals during the year

Please see Note VI.19.

(c) Significant financial assets held under resale agreements for the year

Please see Note VI.19.

(5) By impairment assessment method

	31 December 2021			
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Book value	2,336,108,232.52	-	308,894,849.23	2,645,003,081.75
Provision for impairment	(15,051,818.77)	-	(10,709,468.70)	(25,761,287.47)
Carrying amount	2,321,056,413.75	-	298,185,380.53	2,619,241,794.28
Value of collaterals	6,801,402,259.12	-	968,144,581.76	7,769,546,840.88

	31 December 2020			
	12-month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Book value	2,924,328,914.26	125,292,474.40	1,552,050,575.25	4,601,671,963.91
Provision for impairment	(41,863,097.62)	(257,839.24)	(693,149,838.53)	(735,270,775.39)
Carrying amount	2,882,465,816.64	125,034,635.16	858,900,736.72	3,866,401,188.52
Value of collaterals	8,172,644,044.43	342,372,231.95	1,139,888,173.43	9,654,904,449.81

8 Financial assets held for trading

(1) By category

	31 December 2021					
	Fair value			Initial investment cost		
	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value
Bonds	28,370,903,940.37	-	28,370,903,940.37	28,081,089,261.99	-	28,081,089,261.99
Public offering funds	13,077,042,767.93	-	13,077,042,767.93	12,814,895,261.62	-	12,814,895,261.62
Stocks	11,160,909,053.43	-	11,160,909,053.43	10,863,105,563.68	-	10,863,105,563.68
Wealth management products issued by banks	340,652,849.60	-	340,652,849.60	339,659,195.69	-	339,659,195.69
Asset management products issued by securities firms	532,646,123.75	-	532,646,123.75	531,432,194.34	-	531,432,194.34
Trust schemes	206,521,418.91	-	206,521,418.91	202,415,522.16	-	202,415,522.16
Asset management plans and others	6,413,285,416.21	-	6,413,285,416.21	5,249,105,211.02	-	5,249,105,211.02
Total	60,101,961,570.20	-	60,101,961,570.20	58,081,702,210.50	-	58,081,702,210.50

	31 December 2020					
	Fair value			Initial investment cost		
	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value	Financial assets classified as measured at FVTPL	Financial assets designated at fair value through profit or loss	Total fair value
Bonds	23,159,774,414.22	-	23,159,774,414.22	23,205,742,762.04	-	23,205,742,762.04
Public offering funds	8,569,096,871.59	-	8,569,096,871.59	8,323,063,933.15	-	8,323,063,933.15
Stocks	11,513,735,332.51	-	11,513,735,332.51	10,923,878,253.66	-	10,923,878,253.66
Wealth management products issued by banks	1,163,287,660.35	-	1,163,287,660.35	1,162,497,208.66	-	1,162,497,208.66
Asset management products issued by securities firms	946,258,188.72	-	946,258,188.72	955,536,186.00	-	955,536,186.00
Trust schemes	240,530,238.52	-	240,530,238.52	228,233,734.60	-	228,233,734.60
Asset management plans and others	3,981,718,692.81	-	3,981,718,692.81	3,316,975,460.40	-	3,316,975,460.40
Total	49,574,401,398.72	-	49,574,401,398.72	48,115,927,538.51	-	48,115,927,538.51

(2) Securities lent in financial assets held for trading

The balance of the Group’s financial assets held for trading includes the securities lending, please see Note VI.11 for further details.

(3) Financial assets held for trading with realisation restrictions

	Restrictions	31 December 2021
Bonds	Repurchase agreement business as collaterals	22,203,076,787.94
Bonds	Bond loans as collaterals	173,537,540.00
Stocks	With restrictions on sales term	1,058,543,966.60
Funds	With restrictions on sales term	273,743,026.20
Stocks	Securities lent	367,895,850.70
Funds	Funds lent	219,086,391.60
Asset management products issued by securities firms	Collective asset management plans subscribed as the manager	58,520,032.27
Bonds	Securities from margin refinancing deposits	81,146,739.73
Asset management products	Quoted repurchase agreement business as collaterals	807,741,075.44

	Restrictions	31 December 2020
Bonds	Repurchase agreement business as collaterals	16,231,758,596.62
Bonds	Bond loans as collaterals	193,141,120.00
Stocks	With restrictions on sales term	1,136,231,346.54
Funds	With restrictions on sales term	109,444,080.33
Stocks	Securities lent	507,018,931.98
Funds	Funds lent	28,930,531.10
Asset management products issued by securities firms	Collective asset management plans subscribed as the manager	33,636,416.36

9 Other debt investments

(1) By category

	31 December 2021				
	Initial cost	*Interest*	*Movements in fair value*	*Carrying amount*	*Accumulated provision for impairment*
Local government bonds	2,455,080,383.93	40,329,904.79	21,632,336.07	2,517,042,624.79	(382,137.90)
Financial bonds	520,000,000.00	12,168,947.94	5,885,000.00	538,053,947.94	(322,230.42)
Enterprise bonds	16,229,173,396.93	411,238,411.91	315,775,423.07	16,956,187,231.91	(9,638,622.97)
Medium-term bills	481,819,152.84	14,650,460.00	25,224,597.16	521,694,210.00	(227,973.32)
Corporate bonds	1,545,696,658.96	35,950,140.31	18,234,941.04	1,599,881,740.31	(318,548.34)
Total	21,231,769,592.66	514,337,864.95	386,752,297.34	22,132,859,754.95	(10,889,512.95)

	31 December 2020				
	Initial cost	*Interest*	*Movements in fair value*	*Carrying amount*	*Accumulated provision for impairment*
Local government bonds	100,000,000.00	1,733,506.85	-	101,733,506.85	(13,867.08)
Financial bonds	1,094,036,307.84	19,039,425.21	9,074,112.16	1,122,149,845.21	(227,903.24)
Enterprise bonds	13,518,143,826.96	345,182,318.48	211,030,493.04	14,074,356,638.48	(7,670,060.79)
Medium-term bills	1,041,291,571.12	35,969,980.00	34,172,098.88	1,111,433,650.00	(657,214.31)
Corporate bonds	4,741,494,204.19	134,267,750.80	(9,224,987.75)	4,866,536,967.24	(52,840,851.02)
Others	298,683,012.69	15,502,650.00	1,989,787.31	316,175,450.00	(399,509.30)
Total	20,793,648,922.80	551,695,631.34	247,041,503.64	21,592,386,057.78	(61,809,405.74)

(2) Other debt investments with realisation restrictions

	Restrictions	*31 December 2021*
Bonds	Repurchase agreement business as collaterals	16,056,887,254.92
Bonds	Bond loans as collaterals	1,134,258,090.00

	Restrictions	*31 December 2020*
Bonds	Repurchase agreement business as collaterals	15,734,073,497.45
Bonds	Bond loans as collaterals	787,710,670.00

For the Group’s securities lending business, see Note XII.3.

10 Investments in other equity instruments

	31 December 2021		31 December 2020	
	Initial cost	Fair value at the end of the year	Initial cost	Fair value at the end of the year
Equity instruments not held for trading	-	-	2,434,000,000.00	2,552,845,981.04

As at 31 December 2021, the investments in other equity instruments hold by the group have been settled. Other equity instruments held on 31 December 2020 were the special accounts established by the Company and certain other securities companies for the investments in the China Securities Finance Corporation Limited. The special accounts are operated and managed by China Securities Finance Corporation Limited, with the Group and other securities companies investing in the special accounts sharing investment risks and investment returns in proportion to their investments. The Group manages the special investments not for trading purposes and irrevocably designates them as financial assets at fair value through other comprehensive income and accounts for them under the investment items in other equity instruments. The special accounts were liquidated during 2021. As at 31 December 2020, the Group recognised the year-end fair value of the above investments of RMB2,552,845,981.04 based on the asset report provided by China Securities Finance Corporation Limited.

11 Securities lending

(1) By item

	31 December 2021	31 December 2020
Securities from margin refinancing	468,638,983.86	2,080,411,734.00
Financial assets held for trading	586,982,242.30	535,949,463.08
Total securities lent	1,055,621,226.16	2,616,361,197.08
Total securities from margin refinancing	608,247,334.00	2,321,962,041.00

(2) Defaults of securities lending business

As at 31 December 2021 and 31 December 2020, the Group’s securities lending business had no material default.

12 Long-term equity investments

(1) By category

	31 December 2021	31 December 2020
Investments in joint ventures	1,018,045,257.62	1,241,708,811.33
Investments in associates	3,710,836,052.22	1,092,242,885.58
Sub-total	4,728,881,309.84	2,333,951,696.91
Less: Provision for impairment	-	-
Total	4,728,881,309.84	2,333,951,696.91

(2) Movements of long-term equity investments during the year are as follows:

		Movements during 2021									
Investee	Balance at the beginning of the year	Increase in investments	Decrease in investments	Investment income recognised under equity method	Other comprehensive income	Other equity movements	Declared distribution of cash dividends or profits	Provision for impairment	Others	Balance at the end of the year	Balance of provision for impairment at the end of the year
Joint ventures											
Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership) (Note 1)	1,211,253,053.78	-	(267,091,225.51)	60,698,868.12	-	-	-	-	-	1,004,860,696.39	-
CIS New China Ever- Growing Fund SP	30,455,757.55	-	-	(16,536,711.58)	-	-	-	-	(734,484.74)	13,184,561.23	-
Sub-total	1,241,708,811.33	-	(267,091,225.51)	44,162,156.54	-	-	-	-	(734,484.74)	1,018,045,257.62	-
Associates											
Fujian Yitong Investment Co., Ltd.	750,000,000.00	-	-	(1,862,112.26)	-	-	-	-	-	748,137,887.74	-
Eergu'na Chengcheng Mining Co., Ltd.	-	2,550,000,000.00	-	-	-	-	-	-	-	2,550,000,000.00	-
Haixia Equity Exchange (Fujian) Co., Ltd.	40,223,871.67	46,569,449.11	-	2,221,905.98	-	-	-	-	-	89,015,226.76	-
Fujian Funeng Industrial Equity Investment Management Co., Ltd.	76,202,349.52	-	-	8,204,179.14	-	-	(7,350,000.00)	-	-	77,056,528.66	-
Fujian Pien Tze Huang Medical Equipment Technology Co., Ltd.	3,363,704.02	-	(2,980,599.48)	(383,104.54)	-	-	-	-	-	-	-
Beijing Increasepharm Corporation Limited	156,313,880.08	-	-	(4,870,684.33)	-	-	-	-	-	151,443,195.75	-
Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership) (Note 2)	1,456,213.32	634,365.72	(970,498.08)	(512,986.66)	-	-	-	-	-	607,094.30	-
Ningbo Xingfu Zhiyuan Equity Investment Partnership(Limited Partnership) (Note 2)	441,090.35	-	-	(441,090.35)	-	-	-	-	-	-	-
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership) (Note 2)	3,392,682.46	-	(408,636.31)	(563,935.81)	-	-	-	-	-	2,420,110.34	-
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership) (Note 2)	892,890.52	-	(107,750.51)	(147,539.69)	-	-	-	-	-	637,600.32	-
Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership) (Note 2)	1.14	-	(0.10)	0.63	-	-	-	-	-	1.67	-
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership) (Note 2)	0.64	-	(0.34)	5,688,542.30	-	-	(5,688,542.59)	-	-	0.01	-
Shanghai Yiyue Enterprise Management Partnership (Limited Partnership) (Note 2)	-	31,000,000.00	-	36,893.90	-	-	-	-	-	31,036,893.90	-
Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) (Note 2)	59,956,201.86	-	-	525,310.91	-	-	-	-	-	60,481,512.77	-
Sub-total	1,092,242,885.58	2,628,203,814.83	(4,467,484.82)	7,895,379.22	-	-	(13,038,542.59)	-	-	3,710,836,052.22	-
Total	2,333,951,696.91	2,628,203,814.83	(271,558,710.33)	52,057,535.76	-	-	(13,038,542.59)	-	(734,484.74)	4,728,881,309.84	-

Investee	*Balance at the beginning of the year*	*Movements during 2020*							*Balance at the end of the year*	*Balance of provision for impairment at the end of the year*
		Increase in investments	*Decrease in investments*	*Investment income recognised under equity method*	*Other comprehensive income*	*Other equity movements*	*Declared distribution of cash dividends or profits*	*Provision for impairment*	*Others*		
Joint ventures											
Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership) (Note 1)	1,321,684,872.04	-	(110,870,561.81)	438,743.55	-	-	-	-	-	1,211,253,053.78	-
CIS New China Ever- Growing Fund SP	28,974,378.86	-	-	3,834,886.49	-	-	-	-	(2,353,507.80)	30,455,757.55	-
Sub-total	1,350,659,250.90	-	(110,870,561.81)	4,273,630.04	-	-	-	-	(2,353,507.80)	1,241,708,811.33	-
Associates											
Fujian Yitong Investment Co., Ltd. (福建奕彤投资有限公司)	-	750,000,000.00	-	-	-	-	-	-	-	750,000,000.00	-
Haixia Equity Exchange (Fujian) Co., Ltd.	43,370,400.01	-	-	(3,146,528.34)	-	-	-	-	-	40,223,871.67	-
Fujian Funeng Industrial Equity Investment Management Co., Ltd.	78,148,801.17	-	-	(1,946,451.65)	-	-	-	-	-	76,202,349.52	-
Fujian Pien Tze Huang Medical Equipment Technology Co., Ltd.	1,759,804.49	-	-	1,603,899.53	-	-	-	-	-	3,363,704.02	-
Beijing Increasepharm Corporation Limited	167,268,877.14	-	(5,467,604.07)	(28,779,795.28)	-	23,292,402.29	-	-	-	156,313,880.08	-
Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership) (Note 2)	1,241,789.20	-	(11,494.25)	225,918.37	-	-	-	-	-	1,456,213.32	-
Ningbo Xingfu Zhiyuan Equity Investment Partnership(limited Partnership) (Note 2)	66,010,223.27	-	-	10,586,160.68	-	-	(76,155,293.60)	-	-	441,090.35	-
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership) (Note 2)	2,787,628.24	-	(177,675.33)	782,729.55	-	-	-	-	-	3,392,682.46	-
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership) (Note 2)	733,412.43	-	(46,851.06)	206,329.15	-	-	-	-	-	892,890.52	-
Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership) (Note 2)	1.00	-	-	0.14	-	-	-	-	-	1.14	-
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership) (Note 2)	1.19	-	(0.66)	0.11	-	-	-	-	-	0.64	-
Xiamen Industrial Securities Youxuan Start-up Equity Investment Partnership (Limited Partnership) (Note 2)	1,256,501.69	-	(1,940,000.00)	683,498.31	-	-	-	-	-	-	-
Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) (Note 2)	60,024,603.27	-	-	(68,401.41)	-	-	-	-	-	59,956,201.86	-
Sub-total	422,602,043.10	750,000,000.00	(7,643,625.37)	(19,852,640.84)	-	23,292,402.29	(76,155,293.60)	-	-	1,092,242,885.58	-
Total	1,773,261,294.00	750,000,000.00	(118,514,187.18)	(15,579,010.80)	-	23,292,402.29	(76,155,293.60)	-	(2,353,507.80)	2,333,951,696.91	-

Note 1: Under the partnership agreement or the fund agreement, the Group, as the general partner or fund manager, manages the partnership or fund jointly with another general partner or fund manager and is able to exercise joint control over the partnership or fund, and therefore the Group accounts for the partnership or fund as a joint venture under the equity method.

Note 2: Based on the partnership agreement, the Group has significant influence over Zhuhai Industrial Securities Liuhe Qihang Equity Investment Partnership (Limited Partnership), Ningbo Xingfu Zhiyuan Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership), Pingtan Xinghang Guohong Equity Investment Partnership (Limited Partnership), Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership), Pingtan Liangan Innovative Start-up Equity Investment Partnership (Limited Partnership) and Shanghai Yiyue Enterprise Management Partnership (Limited Partnership), therefore, the Group accounts for these partnerships as associates under the equity method.

As at 31 December 2021, there were no material restrictions on the transfers of funds from investees to the Group.

13 Investment properties

Investment properties measured at cost

	Plant and buildings
Cost	
Balance at the beginning of the year	141,816,808.79
Additions during the year	-
Decrease during the year	(121,391,935.24)
- Transfer to fixed assets	(121,391,935.24)
Balance at the end of the year	20,424,873.55
Less: Accumulated depreciation	
Balance at the beginning of the year	(38,569,607.73)
Additions during the year	(2,280,662.31)
Decrease during the year	30,750,872.76
- Transfer to fixed assets	30,750,872.76
Balance at the end of the year	(10,099,397.28)
Provision for impairment	
Balance at the beginning of the year	-
Charge for the year	-
Decrease during the year	-
Balance at the end of the year	-
Carrying amount	
At the end of the year	10,325,476.27
At the beginning of the year	103,247,201.06

No provision for impairment is required for investment properties as at 31 December 2021 and 31 December 2020.

As at 31 December 2021 and 31 December 2020, the Group had no material investment properties pending certificates of ownership.

14 Fixed assets

(1) Carrying amount

	31 December 2021	31 December 2020
Cost of fixed assets	1,504,602,521.12	1,243,629,947.26
Less: Accumulated depreciation	(695,225,030.02)	(582,235,120.50)
Provision for impairment of fixed assets	(9,708,911.20)	(9,708,911.20)
Total	799,668,579.90	651,685,915.56

(2) Changes of fixed assets

	Plant and buildings	*Machinery and equipment*	*Motor vehicles*	*Other equipment*	*Total*
Cost					
Balance at the beginning of the year	717,302,363.75	482,243,744.55	30,015,566.87	14,068,272.09	1,243,629,947.26
Additions during the year	121,391,935.24	170,478,862.45	3,097,810.99	1,293,209.07	296,261,817.75
- Purchase	-	170,478,862.45	3,097,810.99	1,293,209.07	174,869,882.51
- Transfer from investment properties	121,391,935.24	-	-	-	121,391,935.24
Decrease during the year	(8,298.03)	(32,047,422.89)	(2,085,587.50)	(257,111.47)	(34,398,419.89)
- Disposal or retirement	-	(32,047,422.89)	(2,085,587.50)	(257,111.47)	(34,390,121.86)
- Others	(8,298.03)	-	-	-	(8,298.03)
Exchange differences	-	(803,220.71)	(38,029.82)	(49,573.47)	(890,824.00)
Balance at the end of the year	838,686,000.96	619,871,963.40	30,989,760.54	15,054,796.22	1,504,602,521.12
Less:Accumulated depreciation					
Balance at the beginning of the year	(225,382,745.75)	(331,526,191.56)	(15,450,196.34)	(9,875,986.85)	(582,235,120.50)
Additions during the year	(52,669,149.12)	(89,164,142.67)	(3,044,517.35)	(1,582,581.98)	(146,460,391.12)
- Charge for the year	(21,918,276.36)	(89,164,142.67)	(3,044,517.35)	(1,582,581.98)	(115,709,518.36)
- Transfer from investment properties	(30,750,872.76)	-	-	-	(30,750,872.76)
Decrease during the year	-	30,718,454.54	1,801,092.75	212,301.98	32,731,849.27
- Disposal or retirement	-	30,718,454.54	1,801,092.75	212,301.98	32,731,849.27
Exchange differences	-	680,216.22	24,724.34	33,691.77	738,632.33
Balance at the end of the year	(278,051,894.87)	(389,291,663.47)	(16,668,896.60)	(11,212,575.08)	(695,225,030.02)
Provision for impairment					
Balance at the beginning of the year	(9,708,911.20)	-	-	-	(9,708,911.20)
Balance at the end of the year	(9,708,911.20)	-	-	-	(9,708,911.20)
Carrying amount					
At the end of the year	550,925,194.89	230,580,299.93	14,320,863.94	3,842,221.14	799,668,579.90
At the beginning of the year	482,210,706.80	150,717,552.99	14,565,370.53	4,192,285.24	651,685,915.56

(3) Temporarily idle fixed assets

As at 31 December 2021 and 31 December 2020, the Group had no temporarily idle significant fixed assets.

(4) Fixed assets acquired under finance leases

As at 31 December 2021 and 31 December 2020, the Group had no significant fixed assets acquired under finance leases.

(5) Fixed assets leased out under operating leases

As at 31 December 2021 and 31 December 2020, the Group had no significant fixed assets leased out under operating leases.

(6) Fixed assets pending certificates of ownership

As at 31 December 2021 and 31 December 2020, the Group had no significant fixed assets pending certificates of ownership.

15 Intangible assets

Changes of intangible assets

	Securities trading seat rights	*Software*	*Total*
Cost			
Balance at the beginning of the year	20,311,214.17	642,308,577.38	662,619,791.55
Additions during the year	-	271,351,010.08	271,351,010.08
Decrease during the year	-	(10,675,842.07)	(10,675,842.07)
Exchange differences	(24,040.00)	(487,945.59)	(511,985.59)
Balance at the end of the year	20,287,174.17	902,495,799.80	922,782,973.97
Less: Accumulated amortisation			
Balance at the beginning of the year	(18,866,740.91)	(384,598,233.60)	(403,464,974.51)
Charge for the year	(157,999.98)	(167,711,593.23)	(167,869,593.21)
Decrease during the year	-	10,675,842.07	10,675,842.07
Exchange differences	-	309,799.21	309,799.21
Balance at the end of the year	(19,024,740.89)	(541,324,185.55)	(560,348,926.44)
Carrying amount			
At the end of the year	1,262,433.28	361,171,614.25	362,434,047.53
At the beginning of the year	1,444,473.26	257,710,343.78	259,154,817.04

As at 31 December 2021 and 31 December 2020, none of the Group's significant intangible assets were used for mortgage or guarantee.

As at 31 December 2021 and 31 December 2020, the Group and the Company considered no provision for impairment of intangible assets was necessary.

16 Goodwill

	31 December 2021 and 31 December 2020
	RMB
Goodwill of Aegon-Industrial Fund	1,317,291.24
Goodwill of Industrial Securities Futures	10,946,858.54
Sub-total	12,264,149.78
Less: Provision for impairment	-
Total	12,264,149.78

Note: There was no impairment due to business combinations involving entities not under common control.

17 Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and liabilities

Deferred tax assets before offsetting

	31 December 2021		31 December 2021	
Item	*Deductible temporary differences*	*Deferred tax assets*	*Deductible temporary differences*	*Deferred tax assets*
Provision for impairment of assets	902,899,382.78	225,316,879.02	1,171,710,214.46	292,068,642.13
Movements in fair value	446,084,659.54	111,521,164.90	428,915,774.54	107,228,943.65
Charged but unpaid wages and bonuses	6,037,143,735.90	1,507,738,394.31	4,994,848,823.02	1,248,641,457.33
Compensation to be deducted before taxation	-	-	242,155,614.00	60,538,903.50
Deductible tax losses	622,350,876.48	102,687,894.62	630,282,279.18	103,990,302.23
Others	91,477,116.15	22,224,477.46	108,535,583.68	27,088,784.09
Sub-total	8,099,955,770.85	1,969,488,810.31	7,576,448,288.88	1,839,557,032.93
Amount offset	(3,295,790,738.79)	(819,748,875.78)	(2,923,151,009.01)	(730,339,942.07)
Balance after offsetting	4,804,165,032.06	1,149,739,934.53	4,653,297,279.87	1,109,217,090.86

Deferred tax liabilities before offsetting

Item	31 December 2021 Taxable temporary differences	31 December 2021 Deferred tax liabilities	31 December 2021 Taxable temporary differences	31 December 2021 Deferred tax liabilities
Movements in fair value	(4,095,949,090.38)	(1,020,033,133.00)	(2,980,590,065.02)	(745,147,516.27)
Others	(90,664,078.39)	(22,413,445.84)	(45,802,109.76)	(10,992,992.65)
Sub-total	(4,186,613,168.77)	(1,042,446,578.84)	(3,026,392,174.78)	(756,140,508.92)
Amount offset	3,295,790,738.79	819,748,875.78	2,923,151,009.01	730,339,942.07
Balance after offsetting	(890,822,429.98)	(222,697,703.06)	(103,241,165.77)	(25,800,566.85)

(2) Net deferred tax assets or liabilities after offsetting

Item	31 December 2021 Offsetting amount of deferred tax assets and liabilities	31 December 2021 Balances of deferred tax assets or liabilities after offsetting	31 December 2020 Offsetting amount of deferred tax assets and liabilities	31 December 2020 Balances of deferred tax assets or liabilities after offsetting
Deferred tax assets	(819,748,875.78)	1,149,739,934.53	(730,339,942.07)	1,109,217,090.86
Deferred tax liabilities	819,748,875.78	(222,697,703.06)	730,339,942.07	(25,800,566.85)

(3) Details of unrecognised deferred tax assets

	31 December 2021	31 December 2020
Unrecognised temporary difference	-	(179,096,196.34)
Deductible tax losses	501,254,234.71	479,936,977.08
Total	501,254,234.71	300,840,780.74

(4) Expiration of deductible tax losses for unrecognised deferred tax assets

According to existing tax regulations in relevant region, there is no expiration of deductible tax losses for unrecognised deferred tax assets.

18 Other assets

	Note	*31 December 2021*	*31 December 2020*
Other receivables	(1)	912,965,847.00	832,932,230.72
Inventory of bulk commodity trading		195,232,172.02	832,420,860.07
Input tax to be credited		155,051,372.86	172,973,793.20
Prepayments		106,217,606.18	81,152,445.48
Long-term deferred expenses	(2)	97,819,145.03	77,297,128.02
Deferred expenses		59,317,891.99	68,518,023.20
Dividends receivable		24,604,419.54	12,813,428.99
Interest receivable		9,397,315.35	15,427,904.27
Others		10,260,355.02	2,768,119.47
Total		1,570,866,124.99	2,096,303,933.42

(1) Other receivables

(a) By detail

	31 December 2021	*31 December 2020*
Balance of other receivables	1,655,830,460.37	1,027,081,222.62
Less: Provision for bad and doubtful debts	(742,864,613.37)	(194,148,991.90)
Other net receivables	912,965,847.00	832,932,230.72

(b) By ageing

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,407,440,581.16	85.00	568,059,564.59	40.36
1 - 2 years	147,374,155.90	8.90	118,782,095.71	80.60
2 - 3 years	270,996.54	0.02	54,199.31	20.00
Over 3 years	100,744,726.77	6.08	55,968,753.76	55.56
Total	1,655,830,460.37	100.00	742,864,613.37	44.86

	31 December 2020			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	922,107,709.18	89.78	156,071,265.99	16.93
1 - 2 years	478,785.67	0.05	47,878.56	10.00
2 - 3 years	4,259,533.77	0.41	949,035.35	22.28
Over 3 years	100,235,194.00	9.76	37,080,812.00	36.99
Total	1,027,081,222.62	100.00	194,148,991.90	18.90

The ageing is counted starting from the date when other receivables are recognised.

(c) By assessment method for bad and doubtful debts

	31 December 2021			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	867,142,074.90	52.37	739,348,318.01	85.26
Collective assessment	788,688,385.47	47.63	3,516,295.36	0.45
Total	1,655,830,460.37	100.00	742,864,613.37	44.86

	31 December 2020			
	Book value		Provision for bad and doubtful debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Individual assessment	553,197,770.82	53.86	190,914,818.88	34.51
Collective assessment	473,883,451.80	46.14	3,234,173.02	0.68
Total	1,027,081,222.62	100.00	194,148,991.90	18.90

(d) Additions, recoveries or reversals of provision for bad and doubtful debts during the year:

For analysis of the movements of provisions for bad and doubtful debts of other receivables for the year, see Note VI.19.

(e) Five largest other receivables by debtor at the end of the year

	Nature	*Amount*	*Ageing*	*Percentage of total other receivables (%)*
Changchun Longevity Biological Technology Limited Liability Company	Stock pledge receivable Repurchase payments for business termination	557,363,648.85	Within 1 year	33.66
Employee deferred performance investments	Advances	395,134,887.22	Within 1 year	23.86
Zhuhai Zhongzhu Group Co., Ltd.	Stock pledge receivable Repurchase payments for business termination	143,537,351.47	1 -2 years	8.67
Employee venture capital investments	Advances	137,515,614.33	Within 1 year	8.30
Fab Beijing Audio Co., Ltd.	Creditor's rights receivable	100,001,570.00	Over 3 years	6.04
Total		1,333,553,071.87		80.53

(f) Receivables from related parties

As at 31 December 2021, there were no receivables from shareholders who hold more than 5% (inclusive) of the shares of the Company among the other receivables.

(2) Long-term deferred expenses

	Balance at 1 January 2021	*Purchase for the year*	*Amortisation for the year*	*Exchange differences*	*Balance at 31 December 2021*
Leasehold improvements	68,300,759.29	60,296,998.29	(36,601,390.45)	(38,222.49)	91,958,144.64
Others	8,996,368.73	5,887,610.22	(9,022,978.56)	-	5,861,000.39
Total	77,297,128.02	66,184,608.51	(45,624,369.01)	(38,222.49)	97,819,145.03

	Balance at 1 January 2020	*Purchase for the year*	*Amortisation for the year*	*Exchange differences*	*Balance at 31 December 2020*
Leasehold improvements	84,085,765.09	21,974,031.13	(37,798,775.18)	39,738.25	68,300,759.29
Others	12,529,688.80	9,228,992.84	(12,762,312.91)	-	8,996,368.73
Total	96,615,453.89	31,203,023.97	(50,561,088.09)	39,738.25	77,297,128.02

19 Provision for impairment of assets

As at 31 December 2021 and 31 December 2020, the provisions for impairment of the Group are set out as follows:

	Note	Balance at 31 December 2020	Additions during the year	Decrease during the year		Translation differences arising from translation of foreign currency financial statements	Balance at 31 December 2021
				Reversal	Written-off		
Provision for impairment of cash at bank and on hand	VI.1	613,110.35	134,892.40	(65,832.54)	-	(11,501.97)	670,668.24
Provision for impairment of margin accounts	VI.3	749,434,701.15	80,794,437.48	(36,031,061.25)	-	(21,609,085.02)	772,588,992.36
Provision for bad and doubtful debts of receivables	VI.6	14,052,150.28	4,802,544.21	(1,134,711.51)	-	(42,789.49)	17,677,193.49
Provisions for impairment of financial assets held under resale agreements	VI.7	735,449,125.64	104,996.10	(54,553,528.42)	(654,955,959.50)	(5,135.34)	26,039,498.48
Provision for impairment of other debt investments	VI.9	61,809,405.74	4,413,515.61	-	(55,333,408.40)	-	10,889,512.95
Provision for impairment of other financial assets (Note)		195,725,484.38	662,211,178.82	(49,013,665.11)	(64,075,162.00)	-	744,847,836.09
Sub-total of provision for credit losses of financial instruments		1,757,083,977.54	752,461,564.62	(140,798,798.83)	(774,364,529.90)	(21,668,511.82)	1,572,713,701.61
		-	-	-	-	-	-
Provision for impairment of fixed assets	VI.14	9,708,911.20	-	-	-	-	9,708,911.20
Provision for impairment of other assets		26,725,176.57	-	(20,800,110.60)	-	-	5,925,065.97
Sub-total of provision for impairment of other assets		36,434,087.77	-	(20,800,110.60)	-	-	15,633,977.17
Total		1,793,518,065.31	752,461,564.62	(161,598,909.43)	(774,364,529.90)	(21,668,511.82)	1,588,347,678.78

Note: The amount transferred from the provision for impairment of financial assets held under resale agreements to the provision for impairment of other financial assets in 2021 was RMB654,955,959.50 (2020: RMB142,982,502.28).

	Note	*Balance at 31 December 2019*	*Additions during the year*	*Decrease during the year*		*Translation differences arising from translation of foreign currency financial statements*	*Balance at 31 December 2020*
				Reversal	*Written-off*		
Provision for impairment of cash at bank and on hand	VI.1	344,816.72	321,065.72	(37,626.70)	-	(15,145.39)	613,110.35
Provision for impairment of margin accounts	VI.3	381,206,245.33	438,054,027.98	-	-	(69,825,572.16)	749,434,701.15
Provision for bad and doubtful debts of receivables	VI.6	8,126,460.08	6,486,909.15	(518,492.87)	-	(42,726.08)	14,052,150.28
Provisions for impairment of financial assets held under resale agreements	VI.7	1,070,709,977.65	150,032,651.43	-	(485,245,374.83)	(48,128.61)	735,449,125.64
Provision for impairment of other debt investments	VI.9	60,735,273.03	3,518,755.56	-	(2,444,622.85)	-	61,809,405.74
Provision for impairment of other financial assets		39,901,966.20	156,986,912.31	(1,163,394.13)	-	-	195,725,484.38
Sub-total of provision for credit losses of financial instruments		1,561,024,739.01	755,400,322.15	(1,719,513.70)	(487,689,997.68)	(69,931,572.24)	1,757,083,977.54
		-	-	-	-	-	-
Provision for impairment of fixed assets	VI.14	9,708,911.20	-	-	-	-	9,708,911.20
Provision for impairment of other assets		-	26,725,176.57	-	-	-	26,725,176.57
Sub-total of provision for impairment of other assets		9,708,911.20	26,725,176.57	-	-	-	36,434,087.77
Total		1,570,733,650.21	782,125,498.72	(1,719,513.70)	(487,689,997.68)	(69,931,572.24)	1,793,518,065.31

As at 31 December 2021, a summary of the Group's three stages of ECL is as follows:

		Balance 31 December 2021			
	Note	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Provision for impairment of cash at bank and on hand	VI.1	670,668.24	-	-	670,668.24
Provision for impairment of margin accounts	VI.3	37,412,722.50	438,697.68	734,737,572.18	772,588,992.36
Provision for bad and doubtful debts of receivables (simplified model)	VI.6	-	16,455,730.74	1,221,462.75	17,677,193.49
Provisions for impairment of financial assets held under resale agreements	VI.7	15,330,029.78	-	10,709,468.70	26,039,498.48
Provision for impairment of other debt investments	VI.9	10,707,045.41	182,467.54	-	10,889,512.95
Provision for impairment of other financial assets		354,405.33	5,145,112.75	739,348,318.01	744,847,836.09
Total		64,474,871.26	22,222,008.71	1,486,016,821.64	1,572,713,701.61

		Balance 31 December 2020			
	Note	*12-month ECL*	*Lifetime ECL (not credit impaired)*	*Lifetime ECL (credit impaired)*	*Total*
Provision for impairment of cash at bank and on hand	VI.1	613,110.35	-	-	613,110.35
Provision for impairment of margin accounts	VI.3	34,829,505.81	891,764.31	713,713,431.03	749,434,701.15
Provision for bad and doubtful debts of receivables (simplified model)	VI.6	-	12,426,368.52	1,625,781.76	14,052,150.28
Provisions for impairment of financial assets held under resale agreements	VI.7	42,041,447.87	257,839.24	693,149,838.53	735,449,125.64
Provision for impairment of other debt investments	VI.9	10,269,161.19	68,927.19	51,471,317.36	61,809,405.74
Provision for impairment of other financial assets		479,439.87	4,332,425.63	190,913,618.88	195,725,484.38
Total		88,232,665.09	17,977,324.89	1,650,873,987.56	1,757,083,977.54

20 Short-term loans

	31 December 2021	*31 December 2020*
Unsecured loans	433,448,118.55	3,217,989,716.47
Pledged loans	-	645,502,558.18
Total	433,448,118.55	3,863,492,274.65

As at 31 December 2021, the Group had no past due short-term loans.

As at 31 December 2021, the Group had no pledged loans (31 December 2020: RMB 645,502,558.18).

21 Short-term financing payable

Debenture	*Face value* Original currency	*Date of value*	*Past due period*	*Issuance amount* Original currency	*Nominal interest rate*	*Book value at 1 January 2021* Amount in RMB equivalent	*Additions during the year* Amount in RMB equivalent	*Decrease during the year* Amount in RMB equivalent	*Book value at 31 December 2021* Amount in RMB equivalent
20 Industrial Securities CP002	RMB100.00	16 November 2020	81 days	RMB4.00 billion	3.10%	4,015,627,397.26	10,531,506.85	(4,026,158,904.11)	-
21 Industrial Securities CP001	RMB100.00	18 January 2021	72 days	RMB3.50 billion	2.40%	-	3,509,665,753.43	(3,509,665,753.43)	-
21 Industrial Securities CP002	RMB100.00	8 February 2021	91 days	RMB3.00 billion	2.99%	-	3,020,151,780.82	(3,020,151,780.82)	-
21 Industrial Securities CP003	RMB100.00	9 June 2021	91 days	RMB3.00 billion	2.33%	-	3,016,086,575.34	(3,016,086,575.34)	-
21 Industrial Securities CP004	RMB100.00	25 August 2021	91 days	RMB4.00 billion	2.15%	-	4,015,786,301.37	(4,015,786,301.37)	-
20 Industrial S1	RMB100.00	15 December 2020	121 days	RMB4.00 billion	3.18%	4,005,924,383.56	31,364,383.56	(4,037,288,767.12)	-
21 Industrial S1	RMB100.00	28 April 2021	240 days	RMB5.00 billion	2.83%	-	5,084,124,657.55	(5,084,124,657.55)	-
21 Industrial S2	RMB100.00	22 September 2021	210 days	RMB4.00 billion	2.68%	-	4,029,663,561.63	-	4,029,663,561.63
21 Industrial S3	RMB100.00	19 November 2021	270 days	RMB3.00 billion	2.69%	-	3,009,507,123.28	-	3,009,507,123.28
Structured notes (Note)						502,946,501.89	4,796,181,150.55	(4,367,546,283.98)	931,581,368.46
Bills	USD100.00	18 December 2020	78 days	USD4.50 million	1.30%	29,360,527.24	-	(29,360,527.24)	-
	USD100.00	18 December 2020	262 days	USD4.50 million	1.30%	29,360,527.23	-	(29,360,527.23)	-
Total						8,583,219,337.18	30,523,062,794.38	(31,135,530,078.19)	7,970,752,053.37

Note: These are structured notes with a maturity of less than one year issued through the inter-institutional private placement quotation and service system and the over-the-counter (OTC) market, with an aggregate face value of RMB4,787 million and a fixed yield ranging from 0.21% to 6.00% for the year.

22 Placements from banks and other financial institutions

By category

	Note	*31 December 2021*	*31 December 2020*
Placements from banks and other financial institutions	(i)	1,500,411,111.12	530,079,333.33

(i) Analysis of the remaining maturity and interest rate of placements from banks and other financial institutions

	31 December 2021		*31 December 2020*	
Remaining maturity	*Balance*	*Interest rate*	*Balance*	*Interest rate*
Within 3 months	1,500,411,111.12	2.25%-2.60%	530,079,333.33	2.30% - 3.19%
Total	1,500,411,111.12		530,079,333.33	

23 Financial liabilities held for trading

(1) By category

		31 December 2021		
	Note	*Financial liabilities classified as measured at FVTPL*	*Financial liabilities designated at fair value through profit or loss*	*Total*
Stocks	(a)	9,001,776.00	-	9,001,776.00
Others				
- Interest of other shareholders in structured entities	(b)	-	1,934,948,587.27	1,934,948,587.27
- Structured notes		-	43,594,190.64	43,594,190.64
Total		9,001,776.00	1,978,542,777.91	1,987,544,553.91

	Note	*31 December 2020* *Financial liabilities classified as measured at FVTPL*	*Financial liabilities designated at fair value through profit or loss*	*Total*
Stocks	(a)	11,463,136.80	-	11,463,136.80
Others				
- Interest of other shareholders in structured entities	(b)	-	2,491,673,169.19	2,491,673,169.19
- Structured notes		-	113,883,452.21	113,883,452.21
Total		11,463,136.80	2,605,556,621.40	2,617,019,758.20

(a) These are financial liabilities held for trading arising from the sale of borrowed stocks.

(b) As at 31 December 2021 and 31 December 2020, financial liabilities designated at fair value through profit or loss mainly represent the interests of other shareholders of asset management schemes or other limited partners of private equity funds in the consolidated structured entities. The underlying investments of the Group's structured entities included in the scope of consolidation are measured at fair value. Therefore, for the purpose of eliminating accounting mismatches, the Group designates the interests of other holders arising from the structured entities included in the scope of consolidation as financial liabilities at FVTPL.

24 Financial assets sold under repurchase agreements

(1) By category

	31 December 2021	*31 December 2020*
Bonds	29,792,410,379.95	25,780,652,893.10
Others	452,907,000.00	-
Total	30,245,317,379.95	25,780,652,893.10

(2) By business type

	31 December 2021	*31 December 2020*
Collateralised repurchase sold in the inter-bank market	13,012,038,804.62	6,050,597,270.07
Collateralised repurchase sold in the stock exchange	12,814,588,687.41	15,830,423,488.19
Collateralised quotation repurchase	2,807,920,000.00	1,176,903,000.00
Other collateralised repurchase	1,610,769,887.92	2,722,729,134.84
Total	30,245,317,379.95	25,780,652,893.10

(3) Information of collaterals

	31 December 2021	*31 December 2020*
Bonds	38,259,964,042.86	31,965,832,094.07
Including: Financial assets held for trading	22,203,076,787.94	16,231,758,596.62
Other debt investments	16,056,887,254.92	15,734,073,497.45
Bond lending	2,040,987,630.00	1,022,475,000.00
Others	807,741,075.44	-
Total	41,108,692,748.30	32,988,307,094.07

(4) Quoted repurchase margin by the remaining maturity

	31 December 2021	*Interest rate range*	*31 December 2021*	*Interest rate range*
Within 1 month	2,444,197,000.00	1.6% - 6%	1,046,586,000.00	1.6% - 6%
More than 1 month but less than 3 months	363,723,000.00	3.2% - 3.6%	130,317,000.00	3.6% - 3.8%
	2,807,920,000.00		1,176,903,000.00	

25 Accounts payable to brokerage and margin clients

	31 December 2021	31 December 2020
Accounts payable to brokerage clients		
- Individuals	24,661,783,212.11	21,777,501,280.55
- Institutions	29,709,852,554.25	17,848,902,192.73
Sub-total	54,371,635,766.36	39,626,403,473.28
Accounts payable to margin clients		
- Individuals	5,000,261,498.19	3,839,845,190.16
- Institutions	1,140,373,677.47	1,069,014,297.29
Sub-total	6,140,635,175.66	4,908,859,487.45
Total	60,512,270,942.02	44,535,262,960.73

26 Accounts payable to securities underwriting clients

	31 December 2021	31 December 2020
Accounts payable to stocks underwriting clients	100,000,000.00	136,603,936.40

27 Employee benefits payable

	Note	31 December 2021	31 December 2020
Employee benefits	(1)	6,511,350,091.04	5,422,505,549.82
Post-employment benefits - defined contribution plans	(2)	91,854,785.62	57,255,414.62
Total		6,603,204,876.66	5,479,760,964.44

(1) Employee benefits

	Balance at 1 January 2021	Accrued during the year	Paid during the year	Balance at 31 December 2021
Salaries, bonuses, allowances and subsidies	5,413,277,788.07	5,236,358,621.68	(4,155,087,403.23)	6,494,549,006.52
Staff welfare	-	46,986,648.05	(46,986,648.05)	-
Social insurance	125,900.54	140,869,996.18	(140,978,363.93)	17,532.79
- Medical insurance	62,556.38	128,639,363.17	(128,686,644.15)	15,275.40
- Work-related injury insurance	7,841.89	2,444,511.94	(2,444,707.34)	7,646.49
- Maternity insurance	55,502.27	9,268,009.28	(9,328,900.65)	(5,389.10)
- Other social insurance	-	518,111.79	(518,111.79)	-
Housing fund	169,057.67	179,139,353.68	(179,229,548.38)	78,862.97
Labour union fee, staff and workers' education fee	8,932,803.54	51,134,783.19	(43,362,897.97)	16,704,688.76
Others	-	8,082,670.54	(8,082,670.54)	-
Total	5,422,505,549.82	5,662,572,073.32	(4,573,727,532.10)	6,511,350,091.04

	Balance at 1 January 2020	Accrued during the year	Paid during the year	Balance at 31 December 2020
Salaries, bonuses, allowances and subsidies	4,103,237,748.91	4,472,504,538.53	(3,162,464,499.37)	5,413,277,788.07
Staff welfare	-	37,584,188.36	(37,584,188.36)	-
Social insurance	66,129.55	118,851,193.65	(118,791,422.66)	125,900.54
- Medical insurance	63,609.27	110,484,716.35	(110,485,769.24)	62,556.38
- Work-related injury insurance	5,706.55	1,096,753.81	(1,094,618.47)	7,841.89
- Maternity insurance	(3,186.27)	6,965,147.21	(6,906,458.67)	55,502.27
- Other social insurance	-	304,576.28	(304,576.28)	-
Housing fund	44,302.37	149,596,702.72	(149,471,947.42)	169,057.67
Labour union fee, staff and workers' education fee	23,467,912.57	37,227,481.95	(51,762,590.98)	8,932,803.54
Others	-	24,474.97	(24,474.97)	-
Total	4,126,816,093.40	4,815,788,580.18	(3,520,099,123.76)	5,422,505,549.82

(2) Post-employment benefits - defined contribution plans

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Basic pension insurance	10,825,055.68	235,228,661.03	(234,516,846.02)	11,536,870.69
Unemployment insurance	4,502.81	7,594,658.64	(7,564,274.16)	34,887.29
Annuity	46,425,856.13	325,727,568.63	(291,870,397.12)	80,283,027.64
Total	57,255,414.62	568,550,888.30	(533,951,517.30)	91,854,785.62

	Balance at 1 January 2020	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2020*
Basic pension insurance	9,822,623.33	110,135,936.38	(109,133,504.03)	10,825,055.68
Unemployment insurance	41,885.41	3,559,469.61	(3,596,852.21)	4,502.81
Annuity	207,130,429.81	272,813,900.72	(433,518,474.40)	46,425,856.13
Total	216,994,938.55	386,509,306.71	(546,248,830.64)	57,255,414.62

28 Taxes payable

	31 December 2021	*31 December 2020*
Corporate income tax	1,080,980,318.53	961,721,568.68
Individual income tax	128,857,496.03	96,826,648.38
Individual income tax from restricted shares	698,837,350.13	353,288,122.91
VAT	134,224,477.51	404,460,608.63
Urban maintenance and construction tax	10,221,362.45	27,082,415.76
Education and local education surcharges	7,120,797.88	19,361,318.40
Others	1,951,000.14	3,654,012.90
Total	2,062,192,802.67	1,866,394,695.66

29 Accounts payable

	31 December 2021	*31 December 2020*
Performance deposits payable	3,295,286,351.77	558,131,078.60
Accounts payable arising from custodian service	1,096,734,983.33	474,921,982.01
Fees and commission payable	861,215,222.59	613,751,368.93
Payables to be liquidated	416,159,680.55	582,172,082.79
Pledged warehouse receipts payable	94,839,960.00	438,959,880.00
Others	400,509.48	400,509.48
Total	5,764,636,707.72	2,668,336,901.81

30 Contract liabilities

	31 December 2021	*31 December 2020*
Sponsorship contracts	32,777,169.87	42,129,622.73
Financial advisory contracts	34,671,839.64	16,282,155.67
Investment consulting contracts	2,992,052.03	4,116,218.45
Others	1,083,018.85	991,509.44
Total	71,524,080.39	63,519,506.29

The contract liabilities mainly relate to the Group's advance receipts for underwriting sponsorship fees, advance receipts for financial advisory fees, advance receipts for investment consulting fees and advance receipts received from the sale of goods. Advance receipts are received in accordance with contractual agreements and the revenue related to the contracts will be recognised until the Group satisfies its performance obligation.

31 Debentures payable

Debenture	Face value Original currency	Date of value	Maturity period	Issuance amount Original currency	Nominal interest rate	Balance at 1 January 2021 Amount in RMB equivalent	Additions during the year Amount in RMB equivalent	Decrease during the year Amount in RMB equivalent	Balance at 31December 2021 Amount in RMB equivalent
13 Industrial 02	RMB100.00	13 March 2014	5+2 years	RMB1.00 billion	6.35%	1,046,201,292.32	10,535,708.34	(1,056,737,000.66)	-
18 Industrial F1	RMB100.00	22 January 2018	3 years	RMB4.50 billion	5.70%	4,741,609,383.46	835,822.03	(4,742,445,205.49)	-
18 Industrial F2	RMB100.00	10 May 2018	3 years	RMB2.00 billion	5.20%	2,065,068,038.52	36,082,646.41	(2,101,150,684.93)	-
18 Industrial F3	RMB100.00	20 August 2018	3 years	RMB5.00 billion	4.79%	5,079,875,259.33	147,777,224.35	(5,227,652,483.68)	-
19 Industrial F1	RMB100.00	20 March 2019	3 years	RMB3.00 billion	4.10%	3,087,019,501.73	123,915,356.82	(116,597,260.26)	3,094,337,598.29
19 Industrial G1	RMB100.00	6 November 2019	3 years	RMB10.50 billion	3.78%	10,536,021,370.91	401,809,275.89	(391,463,013.72)	10,546,367,633.08
20 Industrial G1	RMB100.00	17 February 2020	3 years	RMB3.00 billion	3.10%	3,077,297,596.77	90,371,187.99	(89,178,082.23)	3,078,490,702.53
21 Industrial 01	RMB100.00	26 January 2021	2 years	RMB3.50 billion	3.45%	-	3,617,424,559.44	(16,509,433.96)	3,600,915,125.48
21 Industrial 02	RMB100.00	9 April 2021	2 years	RMB3.00 billion	3.35%	-	3,076,848,337.13	(14,150,943.40)	3,062,697,393.73
21 Industrial 03	RMB100.00	22 July 2021	3 years	RMB4.00 billion	3.13%	-	4,058,629,264.62	(18,867,924.53)	4,039,761,340.09
21 Industrial 04	RMB100.00	16 August 2021	3 years	RMB4.00 billion	3.09%	-	4,049,033,028.13	(18,867,924.53)	4,030,165,103.60
21 Industrial 06	RMB100.00	10 November 2021	3 years	RMB4.50 billion	3.10%	-	4,520,849,752.94	(21,226,415.09)	4,499,623,337.85
21 Industrial F1	RMB100.00	3 December 2021	550 days	RMB4.10 billion	3.01%	-	4,111,011,878.06	(19,339,622.64)	4,091,672,255.42
Sub-total of corporate bonds						29,633,092,443.04	24,245,124,042.15	(13,834,185,995.12)	40,044,030,490.07
16 Industrial 02	RMB100.00	26 September 2016	5 years	RMB3.00 billion	3.68%	3,026,958,030.11	75,630,324.33	(3,102,588,354.44)	-
16 Industrial 03	RMB100.00	20 October 2016	5 years	RMB5.00 billion	3.48%	5,031,663,907.56	134,143,230.97	(5,165,807,138.53)	-
20 Industrial C1	RMB100.00	15 September 2020	3 years	RMB3.50 billion	4.10%	3,527,511,562.69	142,928,992.12	(137,995,890.40)	3,532,444,664.41
21 Industrial C1	RMB100.00	15 October 2021	3 years	RMB4.30 billion	3.90%	-	4,337,224,834.73	(20,283,018.87)	4,316,941,815.86
Sub-total of subordinated debts						11,586,133,500.36	4,689,927,382.15	(8,426,674,402.24)	7,849,386,480.27
Structured notes (Note)						36,000,000.00	3,813,496,826.56	(2,663,246,124.66)	1,186,250,701.90
US dollar bonds	USD100.00	30 December 2019	3 years	USD295.00 million	2.90%	1,920,029,568.82	-	(41,157,240.56)	1,878,872,328.26
US dollar bonds	USD100.00	9 February 2021	3 years	USD300.00 million	2.00%	-	1,948,024,203.76	(24,769,119.13)	1,923,255,084.63
Total						43,175,255,512.22	34,696,572,454.62	(24,990,032,881.71)	52,881,795,085.13

Note: These structured notes with period more than one year issued by the Company through the inter-institution private placement quotation and services system as well as the over-the-counter market.

32 Other liabilities

	Note	*31 December 2021*	*31 December 2020*
Other payables	(1)	341,342,562.51	641,097,052.53
Risk reserve for futures	(2)	80,603,059.17	70,132,631.65
Interest payable		5,851,193.50	13,061,530.21
Funds from securities repayment agency business		649,838.96	649,838.96
Others		1,873,873.07	1,254,103.36
Total		430,320,527.21	726,195,156.71

(1) Other payables

	Note	*31 December 2021*	*31 December 2020*
Staff risk deposits	(a)	153,256,336.50	181,190,884.82
Sales payment or service fees payable		72,418,030.77	74,843,346.49
Payables to security investors protection fund	(b)	22,614,546.61	23,705,913.74
Payables to future investors protection fund	(c)	1,568,898.85	1,324,461.20
Investments payable		-	285,000,000.00
Others		91,484,749.78	75,032,446.28
Total		341,342,562.51	641,097,052.53

(a) The risk guarantee will be returned in accordance with the Company’s relevant regulations after the assessment.

(b) Securities investor protection funds are made at a percentage of operating income based on the *Notice of China Securities Regulatory Commission on Printing and Distributing the Implementation Measures for the Payment of Securities Investor Protection Funds by Securities Companies (for Trial Implementation)* (Zheng Jian Fa [2007] No.50) and the *Notice of the Department of Intermediary Supervision of the China Securities Regulatory Commission on Issuing and Implementing the Guidelines on the Categorised Regulation of Securities Companies (for Trial Implementation)* (Zheng Jian Hui Ji Gou Bu Han [2007] No.268), the percentage for 2021 was 0.5% (2020: 0.5%).

(c) According to the *Decision of the China Securities Regulatory Commission to Amend the Provisions of the China Securities Regulatory Commission on Matters concerning the Payment of Futures Investor Protection Funds by Futures Exchanges and Futures Companies* (Announcement [2016] No.27), China Industrial Securities Futures Co., Ltd., a subsidiary of the Company, made the future investors protection funds based on 6 per 100 million of the agent transactions for the period from 8 December 2016 to 31 October 2020. According to the results of the 2020 classification and evaluation of futures companies announced by the China Futures Association on 23 October 2020, from 1 November 2020 to 31 October 2021, the percentage of the contribution to the protection fund applicable for the subsidiary - China Industrial Securities Futures Co., Ltd. is 8.5 per 100 million. on the agent transactions. According to the results of the 2021 classification evaluation of futures companies announced by the China Futures Association on 15 October 2021, since 1 November 2021, the percentage of the contribution to the protection fund applicable for the subsidiary - China Industrial Securities Futures Co., Ltd. is 6 per 100 million on the agent transactions.

(2) Risk reserve for futures

The risk reserve for futures is made at 5% of the net income of the agent commission charges of the subsidiary - China Industrial Securities Futures Co., Ltd., after deducting the commission payable to the futures exchange.

33 Share capital

		Movements during the year					
	Balance at 1 January 2021	Issuance of new shares	Bonus shares	Transfer from reserves	Share conversion	Sub-total	Balance at 31 December 2021
Unrestricted shares - RMB ordinary shares	6,696,671,674.00	-	-	-	-	-	6,696,671,674.00

		Movements during the year					
	Balance at 1 January 2020	Issuance of new shares	Bonus shares	Transfer from reserves	Share conversion	Sub-total	Balance at 31 December 2020
Unrestricted shares - RMB ordinary shares	6,696,671,674.00	-	-	-	-	-	6,696,671,674.00

34 Capital reserve

	Balance at 1 January 2021	Additions during the year	Decrease during the year	Balance at 31 December 2021
Share premium	14,369,939,244.91	-	-	14,369,939,244.91
Other capital reserves	7,012,604.10	-	-	7,012,604.10
Total	14,376,951,849.01	-	-	14,376,951,849.01

35 Other comprehensive income

	Balance at the beginning of the year attributable to shareholders of the Company	1 January 2021 to 31 December 2021						Balance at the end of the year attributable to shareholders of the Company
		Before-tax amount	Less: Income tax expense	Less: Previously recognised amount transferred to profit or loss	Total	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
Items that will not be reclassified to profit or loss								
Including: Gains or losses arising from changes in fair value of other equity instrument investments	89,072,286.74	31,869,944.16	29,690,762.25	(150,632,993.15)	(89,072,286.74)	(89,072,286.74)	-	-
Items that may be reclassified to profit or loss								
Including: Changes in fair value of other debt investments	185,281,127.73	197,210,946.56	(34,906,965.41)	(57,583,084.92)	104,720,896.23	104,720,896.23	-	290,002,023.96
Credit losses of other debt investments	46,357,054.31	(50,919,892.79)	12,729,973.19	-	(38,189,919.60)	(38,189,919.60)	-	8,167,134.71
Translation differences arising from translation of foreign currency financial statements	35,382,496.32	(103,477,976.31)	-	-	(103,477,976.31)	(64,257,357.80)	(39,220,618.51)	(28,874,861.48)
Total	356,092,965.10	74,683,021.62	7,513,770.03	(208,216,078.07)	(126,019,286.42)	(86,798,667.91)	(39,220,618.51)	269,294,297.19

	Balance at the beginning of the year attributable to shareholders of the Company	1 January 2020 to 31 December 2020						Balance at the end of the year attributable to shareholders of the Company
		Before-tax amount	Less: Income tax expense	Less: Previously recognised amount transferred to profit or loss	Total	Net-of-tax amount attributable to shareholders of the Company	Net-of-tax amount attributable to non-controlling interests	
Items that will not be reclassified to profit or loss								
Including: Gains or losses arising from changes in fair value of other equity instrument investments	46,428,325.03	56,858,615.62	(14,214,653.91)	-	42,643,961.71	42,643,961.71	-	89,072,286.74
Items that may be reclassified to profit or loss								
Including: Changes in fair value of other debt investments	262,327,272.12	(82,110,582.21)	25,682,048.13	(20,617,610.31)	(77,046,144.39)	(77,046,144.39)	-	185,281,127.73
Credit losses of other debt investments	45,551,454.77	1,074,132.71	(268,533.17)	-	805,599.54	805,599.54	-	46,357,054.31
Translation differences arising from translation of foreign currency financial statements	144,418,111.49	(204,191,403.71)	-	-	(204,191,403.71)	(109,035,615.17)	(95,155,788.54)	35,382,496.32
Total	498,725,163.41	(228,369,237.59)	11,198,861.05	(20,617,610.31)	(237,787,986.85)	(142,632,198.31)	(95,155,788.54)	356,092,965.10

36 Surplus reserve

	Balance at 1 January 2021	Additions during the year	Decrease during the year	Balance at 31 December 2021
Statutory surplus reserve	2,010,988,801.99	297,560,763.27	-	2,308,549,565.26

The statutory surplus reserve is set aside at 10% of the Company's annual net profit, and the statutory surplus reserve can be used to make up for the Company's losses and to expand the Company's production and operation or to increase the Company's capital.

37 General risk reserve

	Balance at 1 January 2021	Additions during the year	Decrease during the year	Balance at 31 December 2021
General risk reserve	3,005,790,163.43	666,987,821.31	-	3,672,777,984.74
Trading risk reserve	2,012,656,232.15	305,000,913.66	-	2,317,657,145.81
Total	5,018,446,395.58	971,988,734.97	-	5,990,435,130.55

The general risk reserve comprises the general risk reserve and the trading risk reserve provided by the Company and its subsidiaries in accordance with the relevant regulations (see Note III.22).

38 Appropriation of profits and retained earnings

	Note	31 December 2021	31 December 2020
Retained earnings at the beginning of the year (before adjustment)		9,279,419,567.64	6,978,612,569.58
Total adjustments for opening retained earnings	(1)	-	(14,707,904.72)
Retained earnings at the beginning of the year (after adjustment)		9,279,419,567.64	6,963,904,664.86
Add: Net profits for the year attributable to shareholders of the Company		4,743,070,343.36	4,003,314,315.75
Less: Appropriation for statutory surplus reserve	(2)	(297,560,763.27)	(296,098,975.90)
Appropriation for general risk reserve	(2)	(666,987,821.31)	(552,247,136.62)
Appropriation for trading risk reserve	(2)	(305,000,913.66)	(303,719,566.53)
Cash dividends for ordinary shares	(3)	(1,205,400,901.32)	(535,733,733.92)
Retained earnings at the end of the year		11,547,539,511.44	9,279,419,567.64

(1) There is no effect on beginning retained earnings due to changes in the Group's accounting policies (See Note III. 33(1)(a)).

(2) Appropriation for surplus reserve and risk reserve

According to relevant laws and regulations and Articles of Association, the Group made appropriation for statutory surplus reserve, general risk reserve and trading risk reserve.

(3) Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 29 June 2021, a cash dividend of RMB 0.18 per share (2020: RMB 0.08 per share), totalling RMB1,205,400,901.32 (2020: RMB535,733,733.92), was declared and paid to the Company's all shareholders on 25 August 2021.

(4) Retained earnings at the end of the year

As 31 December 2021, the retained earnings attributable to the Company included appropriation for surplus reserves made by the Company's subsidiaries amounting to RMB 427,482,599.31 (31 December 2020: RMB 342,351,937.34).

39 Net fee and commission income

(1) By income category

	Note	2021	2020
Net income from securities brokerage		3,319,952,750.71	2,619,398,445.66
- Income from securities brokerage business		3,950,108,985.83	3,168,170,221.40
- Agency securities trading		2,260,220,737.69	1,936,362,420.57
- Lease of trading membership		1,025,755,452.65	774,954,080.93
- Agency sale of financial product		664,132,795.49	456,853,719.90
- Expenses for securities brokerage business		(630,156,235.12)	(548,771,775.74)
- Agency securities trading		(629,960,197.19)	(547,858,298.25)
- Agency sale of financial product		(196,037.93)	(913,477.49)
Net income from futures brokerage business		240,792,638.59	158,771,269.02
- Income from futures brokerage business		246,504,574.48	165,167,353.90
- Expenses for futures brokerage business		(5,711,935.89)	(6,396,084.88)
Net income from investment banking business		1,242,231,940.96	1,378,695,870.70
- Income from investment banking business		1,261,819,336.19	1,389,597,999.81
- Securities underwriting business		1,129,388,212.86	1,264,091,331.41
- Securities sponsorship business		55,985,561.86	59,077,012.76
- Financial advisory business	(a)	76,445,561.47	66,429,655.64
- Expenses for investment banking business		(19,587,395.23)	(10,902,129.11)
- Securities underwriting business		(16,030,942.72)	(8,537,189.28)
- Securities sponsorship business		(3,462,632.43)	(2,339,007.67)
- Financial advisory business	(a)	(93,820.08)	(25,932.16)
Net income from assets management business		242,054,897.29	140,176,801.14
- Income from assets management business		254,894,982.16	173,419,759.56
- Expenses for assets management business		(12,840,084.87)	(33,242,958.42)
Net income from fund management business		4,712,301,423.65	3,143,110,052.17
- Income from fund management business		6,131,985,223.67	4,199,859,568.45
- Expenses for fund management business		(1,419,683,800.02)	(1,056,749,516.28)

	Note	*2021*	*2020*
Net Income from investment advisory business		133,676,880.11	120,026,890.26
- Income from investment advisory business		141,067,373.11	124,595,716.71
- Expenses for investment advisory business		(7,390,493.00)	(4,568,826.45)
Net income from other fee and commission		214,786,435.78	217,883,724.89
- Net income from other fee and commission		232,951,188.43	235,544,941.54
- Expenses for other fee and commission		(18,164,752.65)	(17,661,216.65)
Total		10,105,796,967.09	7,778,063,053.84
Including: Total income from fee and commission		12,219,331,663.87	9,456,355,561.37
Total expenses for fee and commission		(2,113,534,696.78)	(1,678,292,507.53)

(a) Net income from financial advisory services

	2021	*2020*
Net income from M&A restructuring financial advisory business		
- Domestic listed company	7,151,481.63	10,954,020.63
Net income from other financial advisory business	69,200,259.76	55,449,702.85
Total	76,351,741.39	66,403,723.48

40 Net interest income

	2021	*2020*
Interest income		
Including: Interest income from cash at bank and clearing settlement funds	1,307,578,134.64	1,187,526,977.62
Interest income from margin accounts	2,164,189,397.75	1,681,215,152.22
Interest income from financial assets held under resale agreements	226,915,149.18	278,958,120.84
Including: Interest income from stock-pledged financing	175,292,454.68	218,178,346.68
Interest income from other debt investments	1,005,476,695.90	1,048,110,773.17
Others	7,240,030.63	9,294,200.57
Sub-total of interest income	4,711,399,408.10	4,205,105,224.42
Interest expense		
Including: Interest expense on loans	(39,315,182.04)	(244,628,984.59)
Interest expense on short-term financing payables	(305,800,669.37)	(139,777,183.78)
Interest expense on loans from banks and other financial institutions	(80,189,915.69)	(93,655,781.54)
Including: Interest expense on the margin refinancing	(58,586,326.71)	(31,620,223.10)
Interest expenses for financial assets sold under repurchase agreement	(663,654,800.50)	(553,171,941.44)
Including: Interest expense for stock-pledged financing	(45,021,130.37)	(11,040,712.49)
Interest expenses on accounts payable to brokerage and margin clients	(155,632,406.19)	(112,540,318.92)
Interest expenses on debentures payable	(1,698,605,749.25)	(1,882,917,328.71)
Including: Interest expense on secondary bonds	(418,319,410.16)	(428,556,643.09)
Interest expenses for lease liabilities	(34,163,647.30)	-
Others	(9,872,230.16)	(11,062,670.62)
Sub-total of interest expense	(2,987,234,600.50)	(3,037,754,209.60)
Net interest income	1,724,164,807.60	1,167,351,014.82

41 Investment gains

(1) By category

	2021	2020
Investment income / (losses) from long-term equity investments accounted for using equity method	52,057,535.76	(15,579,010.80)
Investment income from disposal of long-term equity investments	1,752,600.97	13,741,428.91
Investment income arising from financial instruments	3,124,596,978.20	5,120,804,832.39
Including: Investment income received in holding period	1,856,808,043.54	1,665,820,346.35
- Financial assets held for trading	1,699,522,573.60	1,659,585,756.93
- Investments in other equity instruments	150,632,993.15	-
- Derivative financial instruments	6,652,476.79	6,234,589.42
Gains from disposal of financial instruments	1,267,788,934.66	3,454,984,486.04
- Financial assets held for trading	1,375,552,889.47	3,394,661,588.76
- Other debt investments	57,583,084.92	20,617,610.31
- Derivative financial instruments	(165,347,039.73)	39,705,286.97
Total	3,178,407,114.93	5,118,967,250.50

Details of investment income arising from financial instruments held for trading are as follows:

		2021	2020
Financial assets classified as measured at FVTPL	Investment income in holding period	1,700,582,878.68	1,652,489,111.08
	Gains from disposal	1,617,493,245.60	3,550,377,324.04
Financial assets designated at fair value through profit or loss	Investment income in holding period	-	-
	Gains from disposal	-	-
Financial liabilities classified as measured at FVTPL	Investment losses in holding period	-	(1,550,985.82)
	Losses from disposal	-	(9,471,405.66)
Financial liabilities designated at fair value through profit or loss	Investment (losses) / income in holding period	(1,060,305.08)	8,647,631.67
	Losses from disposal	(241,940,356.13)	(146,244,329.62)
Total		3,075,075,463.07	5,054,247,345.69

(2) Income from investments in associates and joint ventures

Please see Note VI.12(2).

(3) Significant restrictions on the remittance of investment income

There is no significant restriction on the remittance of the above investment income.

42 Other income

	2021	2020	Amount recognised in extraordinary gain and loss for the year
Government grants related to daily activities (Note)	176,408,362.72	177,734,831.86	176,408,362.72
Refund of charges for withholding individual income tax	21,310,518.94	19,652,419.62	21,310,518.94
Others	90,375.88	34,700.33	90,375.88
Total	197,809,257.54	197,421,951.81	197,809,257.54

Note: These government grants are related to income and are included in amount recognised in extraordinary gain and loss.

43 Gains / (losses) from changes in fair value

	2021	2020
Financial assets held for trading	310,873,241.02	(253,923,380.35)
Including: Financial assets designated at fair value through profit or loss	-	-
Financial liabilities held for trading	220,521,479.15	(108,780,161.83)
Including: Financial liabilities designated at fair value through profit or loss	218,772,259.63	(123,986,466.41)
Derivative financial instruments	71,800,835.92	(14,178,467.77)
Total	603,195,556.09	(376,882,009.95)

44 Other operating income

	2021	2020
Income from commodity trading	3,106,429,104.91	3,656,905,584.91
Lease income	2,552,914.34	5,079,094.27
Property management income	34,766.03	17,733.58
Others	2,261,724.83	5,545,721.53
Total	3,111,278,510.11	3,667,548,134.29

45 Taxes and surcharges

	2021	2020
Urban maintenance and construction tax	57,653,193.66	52,410,299.16
Education and local education surcharges	41,222,858.54	37,622,319.23
Other taxes	8,329,008.15	8,834,770.82
Total	107,205,060.35	98,867,389.21

46 General and administrative expenses

	2021	2020
Salaries, bonuses, allowances and subsidies	5,235,203,363.68	4,436,201,645.75
Social insurance	709,224,135.75	498,462,499.46
Depreciation and amortisation	571,867,053.87	216,591,810.41
Entertainment expenses	179,698,152.98	139,695,017.91
Housing fund	179,075,753.68	146,707,960.65
Software system maintenance fees	136,721,594.85	108,049,685.97
Office expenses	117,238,560.01	102,482,490.97
Supervision and membership fees	111,910,897.20	82,767,487.78
Postage and communication fees	111,084,551.67	122,113,746.38
Other labour costs	106,164,231.46	74,258,348.16
Others	672,445,533.60	830,544,954.17
Total	8,130,633,828.75	6,757,875,647.61

47 Credit impairment reversal / (losses)

	2021	2020
Impairment losses of cash at bank and on hand	69,059.86	283,439.02
Impairment losses of margin financing	44,763,376.23	438,054,027.98
Impairment losses for receivables	3,667,832.70	5,968,416.28
(Reversals of) / impairment losses of financial assets held under resale agreements	(54,448,532.32)	150,032,651.43
Impairment losses of other debt investments	4,413,515.61	3,518,755.56
(Reversals of) / impairment losses of other financial assets	(41,758,445.79)	12,841,015.90
Total	(43,293,193.71)	610,698,306.17

48 Impairment (reversal) / losses on other assets

	2021	2020
(Reversals of) / impairment losses of commodity inventories	(20,800,110.60)	26,725,176.57

49 Other operating costs

	2021	2020
Sales costs for commodity trading	3,084,875,584.75	3,878,745,441.97
Rental property expenses	2,280,662.31	4,238,067.82
Property management expenses	3,270,031.63	2,834,915.66
Others	-	31,132.08
Total	3,090,426,278.69	3,885,849,557.53

50 Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

	2021	2020	Amount recognised in extraordinary gain and loss for the year
Payables not required to be paid	5,307.51	544,279.63	5,307.51
Others	596,116.55	1,750,007.57	596,116.55
Total	601,424.06	2,294,287.20	601,424.06

(2) Non-operating expenses

Item	2021	2020	Amount recognised in extraordinary gain and loss for the year
Donation expenses	37,964,850.77	42,159,723.20	37,964,850.77
Losses for breach of contract and compensation	6,890,713.67	3,204,046.18	6,890,713.67
Losses on disposal of non-current assets	41,075.36	155,719.18	41,075.36
Others	456,555.81	942,187.64	456,555.81
Total	45,353,195.61	46,461,676.20	45,353,195.61

51 Income tax expenses

	2021	2020
Current tax expense for the year based on tax law and regulations	2,008,046,496.99	1,674,045,305.69
Changes in deferred tax assets/liabilities	160,860,140.30	(43,704,891.37)
Tax filing differences	(361,080,156.99)	(58,743,054.15)
Total	1,807,826,480.30	1,571,597,360.17

Reconciliation between income tax expenses and accounting profit:

	2021	2020
Profit before taxation	7,663,245,119.88	6,155,503,742.71
Expected income tax expenses at tax rate of 25%	1,915,811,279.97	1,538,875,935.69
Effect of different tax rates applied by subsidiaries	(3,280,145.44)	39,142,223.62
Adjustments to income tax of previous years	(9,581,285.05)	(8,228,580.94)
Effect of non-taxable income	(176,265,638.38)	(102,139,074.75)
Effect of non-deductible costs, expense and losses	87,782,710.11	76,917,954.56
Tax effect of the utilisation of temporary differences of deferred tax assets not recognised in prior year	(2,243,119.12)	543,691.87
Tax effect of deductible temporary differences of deferred tax assets not recognised for the year	(4,397,321.79)	26,485,210.12
Income tax expenses	1,807,826,480.30	1,571,597,360.17

52 Basic earnings per share and diluted 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:

	2021	2020
Consolidated net profit attributable to ordinary shareholders	4,743,070,343.36	4,003,314,315.75
Weighted average number of ordinary shares outstanding	6,696,671,674.00	6,696,671,674.00
Basic earnings per share (RMB/share)	0.71	0.60

The Company does not have dilutive potential ordinary shares. The calculation process of diluted earnings per share is the same as that of basic earnings per share.

53 Cash flow statement

(1) Proceeds from other operating activities:

	2021	2020
Income from commodity transactions	3,106,429,104.91	3,656,905,584.91
Performance deposits received	2,737,155,273.17	550,122,999.63
VAT from asset management products	689,923,639.55	728,926,025.31
Government grants received	176,408,362.72	177,734,831.86
Others	750,149,589.24	665,264,787.30
Total	7,460,065,969.59	5,778,954,229.01

(2) Payments for other operating activities:

	2021	2020
Payments for commodity transactions	3,090,426,278.69	3,885,849,557.53
Business and administration management fee	1,291,291,725.03	1,347,432,884.48
Net refundable deposits	716,473,742.75	1,012,702,879.96
Changes in restricted cash at bank and on hand	726,764,915.79	481,360,311.18
Other businesses	466,810,825.64	161,305,388.11
Total	6,291,767,487.90	6,888,651,021.26

54 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	2021	2020
Net profit	5,855,418,639.58	4,583,906,382.54
Add: (Reversals of) / impairment losses of credit / assets	(64,093,304.31)	637,423,482.74
Depreciation of right-of-use assets	280,985,026.57	-
Depreciation of fixed assets	115,709,518.36	92,006,650.74
Amortisation of intangible assets	167,869,593.21	112,909,065.83
Amortisation of long-term deferred expenses	45,624,369.01	50,561,088.09
Depreciation of investment properties	2,280,662.31	4,238,067.82
Gains on disposal or retirement of fixed assets, intangible assets and other long-term assets	(3,810,812.52)	(427,096.09)
(Gains) / losses from changes in fair value	(603,195,556.09)	376,882,009.95
Net interest expense	1,072,408,552.06	1,219,212,723.91
Exchange gains	(47,705,729.03)	(26,790,717.40)
Investment income	(262,026,214.80)	(21,224,651.27)
Increase in deferred tax assets	(36,036,995.91)	(58,699,680.98)
Increase in deferred tax liabilities	196,897,136.21	14,994,789.61
Increase in financial assets held for trading	(9,457,792,003.48)	(2,431,255,853.82)
Increase in operating receivables	(7,666,412,277.68)	(9,464,858,909.62)
Increase in operating payables	25,609,987,384.96	12,594,981,264.72
Net cash flows generated from operating activities	15,206,107,988.45	7,683,858,616.77

(b) Significant investing and financing activities not requiring the use of cash:

As at 31 December 2021 and 31 December 2020, the Group has no significant investing and financing activities not requiring the use of cash.

(c) Change in cash:

	2021	*2020*
Cash at the end of the year	70,825,300,555.07	54,391,421,247.68
Less: Cash at the beginning of the year	(54,391,421,247.68)	(52,909,338,431.64)
Net increase in cash	16,433,879,307.39	1,482,082,816.04

(2) Information on acquisition or disposal of subsidiaries and other business units during the year:

The Group does not have any significant acquisition or disposal of subsidiaries during 31 December 2021 and 31 December 2020.

(3) Details of cash:

	31 December 2021	*31 December 2020*
Cash		
Including: Cash on hand	-	52,044.00
Bank deposits available on demand	64,153,215,513.38	47,031,417,688.68
Other monetary funds available on demand	63,489,498.11	54,874,891.07
Balances with clearing companies available on demand	6,608,595,543.58	7,305,076,623.93
Cash balance at the end of the year	70,825,300,555.07	54,391,421,247.68

55 Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

	31 December 2021		
	Amount in original currency	Exchange rate	Amount in RMB equivalent
Cash at bank and on hand			
Including: USD	339,888,148.86	6.37570	2,167,024,870.70
HKD	6,296,568,856.01	0.81760	5,148,074,696.67
Others			18,610,001.68
Balances with clearing companies			
Including: USD	7,304,974.42	6.37570	46,574,325.41
HKD	10,172,305.22	0.81760	8,316,876.75
Margin accounts			
Including: HKD	819,249,883.17	0.81760	669,818,704.48
Accounts receivable			
Including: HKD	699,235,111.28	0.81760	571,694,626.98
Refundable deposits			
Including: USD	15,123,292.86	6.37570	96,421,578.30
HKD	34,972,460.42	0.81760	28,593,483.64
Other assets			
Including: HKD	44,867,204.43	0.81760	36,683,426.34
Short-term loans			
Including: HKD	530,146,916.03	0.81760	433,448,118.55
Accounts payable to brokerage and margin clients			
Including: USD	128,693,315.93	6.37570	820,509,974.37
HKD	3,031,971,593.82	0.81760	2,478,939,975.11
Others			30,113,906.90
Accounts payable			
Including: HKD	251,737,722.43	0.81760	205,820,761.86
Other liabilities			
Including: HKD	36,507,648.51	0.81760	29,848,653.42

	31 December 2020		
	Amount in original currency	Exchange rate	Amount in RMB equivalent
Cash at bank and on hand			
Including: USD	265,443,214.68	6.52490	1,731,990,431.48
HKD	3,150,207,208.39	0.84164	2,651,340,394.87
Others			11,446,964.67
Balances with clearing companies			
Including: USD	5,123,309.86	6.52490	33,429,084.51
HKD	8,215,277.41	0.84164	6,914,306.08
Margin accounts			
Including: HKD	2,423,703,478.16	0.84164	2,039,885,795.36
Accounts receivable			
Including: HKD	1,057,709,917.04	0.84164	890,210,974.58
Refundable deposits			
Including: USD	18,017,299.45	6.52490	117,561,077.16
HKD	42,754,017.56	0.84164	35,983,491.34
Other assets			
Including: HKD	206,193,766.33	0.84164	173,540,921.49
Short-term loans			
Including: USD	98,929,111.28	6.52490	645,502,558.18
HKD	3,823,475,258.39	0.84164	3,217,989,716.47
Accounts payable to brokerage and margin clients			
Including: USD	162,831,490.99	6.52490	1,062,459,195.55
HKD	2,211,551,858.65	0.84164	1,861,330,506.31
Others			26,791,195.04
Accounts payable			
Including: HKD	433,835,120.79	0.84164	365,132,991.06
Long-term loans:			
Including: HKD	-	0.84164	-
Other liabilities			
Including: HKD	60,107,691.98	0.84164	50,589,037.88

(2) Foreign operations

The Group's foreign operation is its subsidiary, Industrial Securities (Hong Kong), whose place of business is in Hong Kong and functional currency is HKD. The functional currency of the foreign operation depends on the primary economic environment in which it operates. There have been no changes in functional currency during the reporting period.

56 Leases

(1) As a lessee

The Group leases plant and buildings as its offices, with a general lease term of 1 to 6 years.

(a) Right-of-use assets

Item	*Plant and buildings*	*Equipment and others*	*Total*
Cost			
Balance at the beginning of the year	939,997,980.86	130,482.00	940,128,462.86
Additions during the year	274,315,396.29	577,242.21	274,892,638.50
Decrease during the year	(103,298,694.69)	-	(103,298,694.69)
Exchange differences	(2,077,358.35)	-	(2,077,358.35)
Balance at the end of the year	1,108,937,324.11	707,724.21	1,109,645,048.32
Accumulated depreciation			
Balance at the beginning of the year	-	-	-
Charge for the year	(280,838,090.10)	(146,936.47)	(280,985,026.57)
Decrease during the year	22,576,624.29	-	22,576,624.29
Exchange differences	547,480.48	-	547,480.48
Balance at the end of the year	(257,713,985.33)	(146,936.47)	(257,860,921.80)
Provision for impairment			
Balance at the beginning of the year	-	-	-
Charge for the year	-	-	-
Decrease during the year	-	-	-
Balance at the end of the year	-	-	-
Carrying amount			
At the end of the year	851,223,338.78	560,787.74	851,784,126.52
At the beginning of the year	939,997,980.86	130,482.00	940,128,462.86

(b) Lease liabilities

Item	*31 December 2021*	*1 January 2021*
Non-current lease liabilities due more than one year	579,322,211.49	768,893,884.71
Lease liabilities due within one year	267,682,958.76	148,695,248.73
Total	847,005,170.25	917,589,133.44

(c) The Group also leases plant and buildings, motor vehicle and equipment, which are short-term leases and low-value leases. The Group has not recognised right-of-use assets and lease liabilities for these short-term leases and low-value assets leases which are accounted for using practical expedient. Details of short-term leases and low-value assets are as follows:

Item	*2021*
Short-term lease expenses applied the practical expedient	56,842,842.75
Expenses relating to leases of low-value assets applied the practical expedient (excluding short-term leases of low-value assets)	339,414.18

(d) Potential future cash outflows not included in the measurement of lease liabilities

The Group's potential future cash outflows not included in the measurement of lease liabilities arise mainly from exposures such as leases that are committed but have not yet commenced. The expected future annual cash outflows for leases to which the Group is committed but which have not yet commenced are not material.

VII Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Please see Note V.1 and V.2 for information on the structured entities included in the subsidiaries and the scope of consolidated financial statements.

(2) Material non-wholly owned subsidiaries

	31 December 2021			
Name of the subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Profit or loss allocated to non-controlling interests during the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
AEGON-Industrial Fund	49.00%	1,095,153,849.29	-	2,824,443,141.62
Industrial Securities Futures	0.45%	1,110,514.09	-	8,054,838.28
Industrial Securities International	48.07%	15,504,884.61	-	1,331,142,334.35

	31 December 2020			
Name of the subsidiary	*Proportion of ownership interest held by non-controlling interests*	*Profit or loss allocated to non-controlling interests during the year*	*Dividend declared to non-controlling shareholders during the year*	*Balance of non-controlling interests at the end of the year*
AEGON-Industrial Fund	49.00%	782,462,040.24	-	1,729,289,292.33
Industrial Securities Futures	0.45%	543,828.38	-	6,944,324.19
Industrial Securities International	48.07%	(203,127,433.83)	-	1,354,858,068.25

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	AEGON-Industrial Fund		*Industrial Securities Futures*		*Industrial Securities International*	
	31 December 2021	*31 December 2020*	*31 December 2021*	*31 December 2020*	*31 December 2021*	*31 December 2020*
Total assets	9,889,455,329.73	6,412,292,381.60	26,062,524,212.51	16,119,569,580.51	13,731,431,039.91	15,371,452,804.86
Total liabilities	4,125,285,652.95	2,883,130,560.52	24,272,560,150.45	14,576,386,427.75	10,144,457,978.00	12,554,395,914.04
Operating income	6,568,221,169.13	4,775,939,531.45	3,739,611,499.16	4,345,558,959.82	528,365,872.27	502,421,188.98
Net profit / (loss)	2,235,007,855.70	1,596,861,306.62	246,780,909.30	120,850,751.24	33,288,946.59	(429,098,742.31)
Total comprehensive income	2,235,007,855.70	1,596,861,306.62	246,780,909.30	120,850,751.24	33,288,946.59	(429,098,742.31)
Cash flows from operating activities	2,262,044,242.11	2,307,951,162.37	8,914,797,167.58	1,918,888,649.42	3,509,579,659.45	2,489,180,543.39

2 Interests in joint ventures or associates

	31 December 2021	31 December 2020
Joint ventures		
- material joint ventures	1,004,860,696.39	1,211,253,053.78
- immaterial joint ventures	13,184,561.23	30,455,757.55
Associates		
- material associates	89,015,226.76	40,223,871.67
- immaterial associates	3,621,820,825.46	1,052,019,013.91
Sub-total	4,728,881,309.84	2,333,951,696.91
Less: Provision for impairment	-	-
Total	4,728,881,309.84	2,333,951,696.91

(1) Material joint ventures or associates:

Name of investee	*Registered place*	*Business nature*	*Shareholding percentage (%)*		*Accounting treatment of investments in associates*	*Paid-in capital*	*Strategic to the Group's activities*
			Direct	*Indirect*			
Associate							
Haixia Equity Exchange (Fujian) Co., Ltd.	Pingtan, Fuzhou	Equity transaction	35.73	-	Equity method	RMB210 million	Yes
Joint venture							
Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership)	Pingtan, Fuzhou	Equity transaction	-	64.50	Equity method	RMB1.414 billion	Yes

(2) Key financial information of material associates

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and any differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the associates when using the equity method:

	Haixia Equity Exchange (Fujian) Co., Ltd.	
	31 December 2021	31 December 2020
Total assets	318,328,702.60	221,621,362.80
Total liabilities	125,568,530.38	35,362,213.04
Net assets		
Non-controlling interests	2,611,151.63	120,144.83
Equity attributable to shareholders of the Company	190,149,020.59	186,139,004.93
Group's share of net assets	67,940,245.06	39,889,588.76
Add: Other adjustments	21,074,981.70	334,282.91
Less: Provision for impairment	-	-
Carrying amount of interests in associates	89,015,226.76	40,223,871.67
Operating income	35,325,443.62	15,444,973.77
Net profit / (loss)	4,501,022.46	(14,970,827.73)
Other comprehensive income	-	-
Total comprehensive income	4,501,022.46	(14,970,827.73)
Dividends received from associates during the year	-	-

(3) Key financial information of material joint ventures:

The following table sets out the key financial information of the Group's material joint ventures, adjusted for fair value adjustments at the time of acquisition and any differences in accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the joint ventures when using the equity method:

	Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership)	
	31 December 2021	*31 December 2020*
Total assets	1,557,923,560.30	1,877,911,711.28
Total liabilities	-	-
Interest attributed to partners	1,557,923,560.30	1,877,911,711.28
Group's contribution / share of net assets	1,004,860,696.39	1,211,253,053.78
Less: Provision for impairment	-	-
Carrying amount of interests in joint ventures	1,004,860,696.39	1,211,253,053.78
Operating income	94,239,471.37	776,471.06
Net profit	94,106,772.28	680,222.57
Other comprehensive income	-	-
Total comprehensive income	94,106,772.28	680,222.57
Dividends received from associates during the year	-	-

(4) Summarised financial information of immaterial joint ventures and associates

	31 December 2021	*31 December 2020*
Joint ventures:		
Aggregate carrying amount of investments	13,184,561.23	30,455,757.55
Aggregate amount of share of		
- Net (loss) / profit	(16,536,711.58)	3,834,886.49
- Other comprehensive income	-	-
- Total comprehensive income	(16,536,711.58)	3,834,886.49

	31 December 2021	*31 December 2020*
Associates:		
Aggregate carrying amount of investments	3,621,820,825.46	1,052,019,013.91
Aggregate amount of share of		
- Net (loss) / profit	5,673,473.24	(16,706,112.50)
- Other comprehensive income	-	-
- Total comprehensive income	5,673,473.24	(16,706,112.50)

3、 Interests in structured entities not included in the consolidated financial statements

(1) Basic information of structured entities not included in the consolidated financial statements

The Group's structured entities not included in the consolidated financial statements include funds (including private equity), wealth management products issued by banks, asset management scheme and trust schemes sponsored by third-party institution and directly held by the Group, and fund (private equity fund included) and asset management scheme sponsored by the Groupwealth management products issued by banks. The purpose of these structured entities is to manage assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. The Group's interests in these structured entities that are not included in the consolidated financial statements mainly include direct holding of investments for investment income or collecting management fees through the management of these structured entities. Except the Group's consolidated structured entities stated in Note V.2, the Group considers the variable returns from its interest in the structure entities are not material, and therefore the Group has not consolidated these structure entities.

Please see Note VII. 3(3) for details of unconsolidated structured entities sponsored by the Group as of 31 December 2021 and 31 December 2020.

(2) Interest in the structured entities sponsored by third-party institutions

The Group directly holds interests in some structured entities sponsored by third-party institutions through investments in the notes issued by these structured entities. The following tables set out an analysis of the carrying amounts / maximum loss exposure of interests held by the Group as at 31 December 2021 and 31 December 2020 in the structured entities sponsored by third-party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2021			
	Financial assets held for trading	*Investments in other equity instruments*	*Long-term equity investments*	*Total*
Public offering funds	5,963,210,463.59	-	-	5,963,210,463.59
Wealth management products issued by banks	340,652,849.60	-	-	340,652,849.60
Asset management products issued by securities firms	110,210,479.45	-	-	110,210,479.45
Trust schemes	206,521,418.91	-	-	206,521,418.91
Asset management plans and others	3,485,646,004.40	-	91,518,406.67	3,577,164,411.07
Total	10,106,241,215.95	-	91,518,406.67	10,197,759,622.62

	31 December 2020			
	Financial assets held for trading	*Investments in other equity instruments*	*Long-term equity investments*	*Total*
Public offering funds	4,245,290,805.35	-	-	4,245,290,805.35
Wealth management products issued by banks	1,163,287,660.35	-	-	1,163,287,660.35
Asset management products issued by securities firms	347,546,349.79	-	-	347,546,349.79
Trust schemes	240,530,238.52	-	-	240,530,238.52
Asset management plans and others	1,431,205,449.87	2,552,845,981.04	60,397,292.21	4,044,448,723.12
Total	7,427,860,503.88	2,552,845,981.04	60,397,292.21	10,041,103,777.13

As at 31 December 2021 and 31 December 2020, The Group's maximum exposure to potential losses arising from its investments in the above funds and wealth management products, etc. is the fair value at the reporting date.

(3) Unconsolidated structured entities sponsored by the Group in which the Group holds an interest

Structured entities sponsored by the Group that are not included in the consolidated financial statements. The following tables set out an analysis of the carrying amounts / maximum loss exposure of interests held by the Group as at 31 December 2021 and 31 December 2020 in the structured entities sponsored by the Group but not included in the consolidation financial statements, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2021			
	Financial assets held for trading	Investments in other equity instruments	Long-term equity investments	Total
Public offering funds	7,113,832,304.34	-	-	7,113,832,304.34
Asset management products issued by securities firms	422,435,644.30	-	-	422,435,644.30
Asset management plans and others	459,771,711.01	-	1,021,710,064.26	1,481,481,775.27
Total	7,996,039,659.65	-	1,021,710,064.26	9,017,749,723.91

	31 December 2020			
	Financial assets held for trading	Investments in other equity instruments	Long-term equity investments	Total
Public offering funds	4,323,806,066.24	-	-	4,323,806,066.24
Asset management products issued by securities firms	598,711,838.93	-	-	598,711,838.93
Asset management plans and others	448,745,804.59	-	1,247,450,599.41	1,696,196,404.00
Total	5,371,263,709.76	-	1,247,450,599.41	6,618,714,309.17

As at 31 December 2021 and 31 December 2020, The Group's maximum exposure to potential losses arising from its investments in the above funds (including private equity) and asset management products issued by securities firms, etc. is the fair value at the reporting date.

As at 31 December 2021 and 31 December 2020, the total net assets of the structured entities sponsored by the Group but not included in the consolidation scope amounted to RMB740.298 billion and RMB594.170 billion, respectively. As at 31 December 2021 and 31 December 2020, the amount of management fee income recognised from these structured entities by the Group was RMB4,955,465,849.59 and RMB3,312,092,952.08, respectively.

VIII 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 after taking the materiality principle into account, and the Group allocates resources and assesses the segment performance accordingly. The Group's major segments at 31 December 2021 and 31 December 2020 are the wealth management segment, the institutional services segment, the proprietary investment segment and the overseas segment.

The wealth management segment comprises the securities and futures brokerage business as well as the asset management business. The securities and futures brokerage business refers to the provision of diversified services through a combination of offline and online methods, including trading services (such as acting as an agent for clients to buy and sell stocks, funds, bonds, futures and options), sales of financial products, fund investment consulting, margin trading and short selling, stock-based pledged reverse REPOs, equity incentive exercise financing, etc.; the asset management business includes the provision of various types of securities asset management, fund asset management and private investment fund management services for customers.

The institutional services segment comprises the research and institutional services business and the investment banking business. The research and institutional services business includes the provision of securities research and sales trading services, asset custody and outsourcing services, and institutional trading services for various institutional customers; the investment banking business mainly includes equity financing, bond financing, financial advisory, National Equities Exchange and Quotations listing and subsequent services, regional equity market services and other businesses.

The proprietary investment segment is engaged in diversified proprietary investments, transactions and market-making services in stocks, bonds, derivatives, equities and alternatives under the premise of value investments and stable operations.

The Company's overseas segment is mainly engaged in global securities and futures brokerage, institutional sales and research, corporate financing, fixed income, asset management and private wealth management in Hong Kong through the Company’s wholly-owned subsidiary - Industrial Securities (Hong Kong) and its holding company - Industrial Securities International.

The segment accounting policies are based on those used in the preparation of the Group's financial statements, except the internal capital expenditure for proprietary operations is determined on the basis of internal transfer prices and charged to operating expenses. Segment revenue and expenses are measured on the basis of actual transaction prices for each segment, except for inter-segment revenue and expenses from internal capital which are determined on the basis of internal transfer prices.

Assets are allocated based on the operations of the segments and the location of the assets. Liabilities are allocated based on the operations of the segments. Segment capital expenditure refers to the total expenditure arising from fixed assets, intangible assets and other long-term assets purchased by the segment during the accounting period.

The Group provides services in the Mainland China and Hong Kong. All of its external transaction income is derived from the Mainland China and Hong Kong. The Group’s financial assets and non-current assets other than deferred income tax assets are mainly located in Mainland China and Hong Kong.

The Group’s businesses do not carry out to specific clients; therefore, the Group does not have significant dependence on any single client.

	2021							
	Wealth management business							
	Securities and futures brokerage business	*Asset management business*	*Institutional services business*	*Proprietary trading business*	*Overseas operation*	*Others*	*Elimination among segments*	*Total*
Operating income								
Net fee and commission income /(expenses)	2,544,324,928.87	4,890,129,341.33	2,481,152,394.45	(6,273.95)	215,954,323.77	(15,124,465.93)	(10,633,281.45)	10,105,796,967.09
Investment income	24,173,754.74	171,965,834.45	155,463,519.88	2,448,866,212.56	252,426,711.53	416,121,418.29	(290,610,336.52)	3,178,407,114.93
Others	1,611,615,618.98	254,598,189.91	3,101,109,869.81	970,640,142.10	(79,784,966.36)	622,975,731.77	(793,189,913.32)	5,687,964,672.89
Total operating income	4,180,114,302.59	5,316,693,365.69	5,737,725,784.14	3,419,500,080.71	388,596,068.94	1,023,972,684.13	(1,094,433,531.29)	18,972,168,754.91
Operating expenses	2,593,536,986.46	2,285,440,117.53	4,632,582,033.59	1,003,952,563.33	345,389,078.47	1,207,704,615.39	(804,433,531.29)	11,264,171,863.48
Operating profit / (loss)	1,586,577,316.13	3,031,253,248.16	1,105,143,750.55	2,415,547,517.38	43,206,990.47	(183,731,931.26)	(290,000,000.00)	7,707,996,891.43
Total assets	104,744,245,220.14	14,016,983,625.98	8,416,640,217.56	78,434,695,595.84	13,744,259,779.28	95,199,457,117.16	(97,092,940,585.00)	217,463,340,970.96
Total liabilities	96,768,750,637.59	6,196,443,721.41	8,423,773,213.70	69,659,570,115.60	10,075,485,649.37	66,234,981,397.25	(85,251,139,280.87)	172,107,865,454.05
Supplementary information								
Depreciation and amortisation	191,218,204.39	56,475,087.75	19,975,795.61	6,298,972.74	39,681,729.60	299,823,999.28	-	613,473,789.37
Capital expenditure	55,426,688.98	48,442,530.09	23,508,872.78	1,680,189.48	18,267,818.02	383,477,186.36	-	530,803,285.71
Impairment losses / (reversals) of credit / assets	(158,762,879.53)	(41,466.51)	(17,106,164.59)	29,073,088.91	80,399,133.41	2,344,984.00	-	(64,093,304.31)
- Credit losses / (reversals)	(158,762,879.53)	(41,466.51)	3,693,946.01	29,073,088.91	80,399,133.41	2,344,984.00	-	(43,293,193.71)
- Reversal of impairment of other assets	-	-	(20,800,110.60)	-	-	-	-	(20,800,110.60)

	2020							
	Wealth management business							
	Securities and futures brokerage business	*Asset management business*	*Institutional services business*	*Proprietary trading business*	*Overseas operation*	*Others*	*Elimination among segments*	*Total*
Operating income								
Net fee and commission income/(expenses)	1,999,216,077.86	3,316,983,900.87	2,229,880,063.42	(16,777.17)	225,568,868.53	16,221,895.52	(9,790,975.19)	7,778,063,053.84
Investment income	10,532,003.33	314,153,811.87	332,656,900.57	3,960,416,232.42	466,878,118.81	34,014,821.06	315,362.44	5,118,967,250.50
Others	1,179,751,504.01	324,788,313.33	3,598,651,958.21	422,632,421.88	(528,582,579.81)	390,425,035.00	(705,009,748.16)	4,682,656,904.46
Total operating income	3,189,499,585.20	3,955,926,026.07	6,161,188,922.20	4,383,031,877.13	163,864,407.53	440,661,751.58	(714,485,360.91)	17,579,687,208.80
Operating expenses	2,370,050,511.61	1,736,757,867.76	5,031,936,732.39	929,256,781.24	625,937,315.86	1,400,562,229.14	(714,485,360.91)	11,380,016,077.09
Operating profit / (loss)	819,449,073.59	2,219,168,158.31	1,129,252,189.81	3,453,775,095.89	(462,072,908.33)	(959,900,477.56)	-	6,199,671,131.71
Total assets	76,108,587,940.23	11,672,660,383.84	5,109,557,140.08	38,282,778,389.89	15,316,392,122.66	55,194,221,921.29	(20,664,501,290.56)	181,019,696,607.43
Total liabilities	70,393,434,816.74	5,885,769,919.81	5,276,865,859.76	32,193,436,368.09	12,410,162,522.53	26,862,321,762.67	(12,837,719,103.84)	140,184,272,145.76
Supplementary information								
Depreciation and amortisation	46,894,549.97	22,645,335.71	12,068,519.13	2,356,044.20	12,453,143.01	163,297,280.46	-	259,714,872.48
Capital expenditure	26,780,241.87	25,895,798.47	11,728,466.04	2,600,673.38	10,507,084.26	219,967,069.16	-	297,479,333.18
Impairment losses of credit / assets	257,224,475.31	1,277,030.73	26,920,733.31	17,200,195.19	330,409,318.38	4,391,729.82	-	637,423,482.74
- Credit losses	257,224,475.31	1,277,030.73	195,556.74	17,200,195.19	330,409,318.38	4,391,729.82	-	610,698,306.17
- Impairment losses of other assets	-	-	26,725,176.57	-	-	-	-	26,725,176.57

IX Related parties and related party transactions

1 The largest shareholder of the Company

(1) Information about the largest shareholder of the Company is as follows:

As at 31 December 2021 and 31 December 2020, information about the largest shareholder of the Company is as follows:

Name of the largest shareholder	*Registered place*	*Business nature*	*Shareholding percentage*
Fujian Provincial Department of Finance	Fuzhou	State-owned asset management, etc.	20.27%

2 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, please see Note V.1. Inter-company transactions and parent-subsidiary transactions of subsidiaries that have a controlling relationship and are included in the scope of the Company's consolidated financial statements have been eliminated.

3 Information about joint ventures and associates of the Group and the Company

For information about joint ventures and associates of the Group and the Company, please see Note VI.12(2).

4 Information on other related parties

(1) Legal persons with over 5% equity of the Company

As at 31 December 2021 and 31 December 2020, other than the largest shareholder of the Company, other corporate shareholders with over 5% equity of the Company are as follows:

Name of other related parties	*Relationship with the Company*
Fujian Province Investment Development Group Co., Ltd.	Shareholder with over 5% equity of the Company
Fujian Huaxing Group Co., Ltd.	Subsidiary of shareholders with over 5% equity of the Company
Fujian Financing Guarantee Co., Ltd.	Subsidiary of shareholders with over 5% equity of the Company
Min Xin Holdings Ltd.	Others (companies where other related parties act as directors, senior management)
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen International Bank Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Alltrust Insurance Company Limited	Others (companies where other related parties act as directors, senior management)
Xiamen Xiangrong Investment Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Xiamen Gold Investment Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Shanghai Shenxin (Group) Co., Ltd.	Others (companies where other related parties act as directors, senior management)
Related natural person	Mainly includes the Company's directors, supervisors, senior management and their close family members

5 Transactions with related parties

(1) Fee and commission income

Related party	Transaction type	2021	2020
Fujian Provincial Department of Finance	Income from securities underwriting business	1,558,528.23	933,962.25
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Income from securities trading business	5,518,403.66	1,958,418.83
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Income from securities underwriting business	5,663,565.21	1,415,094.34
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Fund management	12,228.12	47,925.52
Haixia Equity Exchange (Fujian) Co., Ltd.	Income from securities trading business	1,471.70	1,423.30
Haixia Equity Exchange (Fujian) Co., Ltd.	Asset management	1,912.45	26,755.94
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership)	Fund management	1,917,407.19	11,440,505.19
Pingtan Industrial Securities Saifu Equity Investment Partnership (Limited Partnership)	Investment advisory	-	469,102.49
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership)	Fund management	(845,112.72)	3,015,181.88
Pingtan Industrial Securities Saifuyi Equity Investment Partnership (Limited Partnership)	Investment advisory	-	123,697.13
Fujian Bail-Out No.1 Equity Investment Partnership (Limited Partnership)	Fund management	917,632.27	11,674,311.15
Xiamen Industrial Securities Youxuan Start-up Equity Investment Partnership (Limited Partnership)	Fund management	-	393,081.75
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership)	Fund management	-	2,283,018.80
Pingtan Industrial Securities Chuangpai Equity Investment Partnership (Limited Partnership)	Performance rewards	5,688,542.20	-
Xiamen Gold Investment Co., Ltd.	Income from securities trading business	0.20	N/A
Shanghai Shenxin (Group) Co., Ltd.	Asset management	26,579.23	N/A
Shanghai Shenxin (Group) Co., Ltd.	Income from securities trading business	22,945.43	N/A
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Income from securities underwriting business	285,014.15	-
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Income from securities trading business	19.55	269,515.08
Xiamen International Bank Co., Ltd.	Income from securities trading business	124,073.86	513,884.25
Alltrust Insurance Company Limited	Fund management	-	1,008,062.63
Min Xin Holdings Ltd.	Fund management	-	72,943.27
Related natural person	Income from securities trading business	29,077.77	44,557.17
Related natural person	Asset management	376,705.55	304,348.02
Total		21,298,994.05	35,995,788.99

(2) Interest income

Related party	Transaction type	2021	2020
Fujian Provincial Department of Finance	Interest income from bonds	7,368,205.86	6,373,972.01
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Interest income from bonds	1,666,492.66	6,403,078.88
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Interest income from bonds	1,134,238.82	1,500,000.00
Xiamen International Bank Co., Ltd.	Interest income from bonds	29,742.47	-
Xiamen International Bank Co., Ltd.	Interest income from deposits	1,190,186.74	25,616,254.69
Related natural person	Interest income from financing services	1,942.02	118,122.08
Total		11,390,808.57	40,011,427.66

(3) Interest expenses

Related party	*Transaction type*	*2021*	*2020*
Fujian Provincial Department of Finance	Interest expenses on customer deposits	208,228.18	317,723.80
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Interest expenses on customer deposits	347,982.91	184,331.28
Xiamen International Bank Co., Ltd.	Interest expenses on customer deposits	40,190.61	176,824.02
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Interest expenses on customer deposits	4,981.30	60,207.33
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Interest expenses on customer deposits	431.20	2,390.26
Haixia Equity Exchange (Fujian) Co., Ltd.	Interest expenses on customer deposits	591.57	5,860.60
Xiamen Xiangrong Investment Co., Ltd	Interest expenses on customer deposits	487.60	N/A
Shanghai Shenxin (Group) Co., Ltd.	Interest expenses on customer deposits	10,204.27	N/A
Related natural person	Interest expenses on customer deposits	3,515.14	4,611.74
Total		616,612.78	751,949.03

(4) Other operating expenses paid to related parties

Name of related party	*Transaction type*	*2021*	*2020*
Alltrust Insurance Company Limited	Insurance fees	164,477.75	236,334.01
Haixia Equity Exchange (Fujian) Co., Ltd.	OTC trading fees for carbon emission permits	3,817.80	-
		168,295.55	236,334.01

(5) Remuneration of key management personnel

Item	*2021* RMB'0000	*2020* RMB'0000
Remuneration of key management personnel	2,220.93	4,625.26

Note: The total remuneration of the Company's key management personnel during 2021 is still in the process of confirmation, and will be disclosed separately later. The total remuneration of the Company's key management personnel during 2020 includes the remainder of the Company's total remuneration before taxation attributable to 2020 as disclosed in December 2021.

6 Related party transactions and their balances

(1) Receivables from related parties

Name of related party		*31 December 2021*	*31 December 2020*
Asset management products issued by related parties	Other receivables	137,515,614.33	179,645,369.66

(2) Payables to related parties

Name of related party	*Item*	*31 December 2021*	*31 December 2020*
Fujian Provincial Department of Finance	Accounts payable to brokerage and margin clients	73,453.07	1,377,993.97
Fujian Province Investment Development Group Co., Ltd. and its subsidiaries	Accounts payable to brokerage and margin clients	174,201.98	50,570,595.29
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Accounts payable to brokerage and margin clients	135,246.27	86,091,587.55
Xiamen International Bank Co., Ltd.	Accounts payable to brokerage and margin clients	N/A	27,083,254.89
Haixia Huifu Industry Investment Fund Management Co., Ltd.	Accounts payable to brokerage and margin clients	-	193.14
Haixia Equity Exchange (Fujian) Co., Ltd.	Accounts payable to brokerage and margin clients	-	2,317.55
Xiamen Xiangrong Investment Co., Ltd.	Accounts payable to brokerage and margin clients	140,002.15	N/A
Shanghai Shenxin (Group) Co., Ltd.	Accounts payable to brokerage and margin clients	557,879.28	N/A
Related natural person	Accounts payable to brokerage and margin clients	271,173.63	1,559,903.14
Total		1,351,956.38	166,685,845.53

(3) Balance of subscribed bonds issued by related parties

Name of related party	*Item*	*31 December 2021*	*31 December 2020*
Fujian Provincial Department of Finance	Financial assets held for trading	81,553,000.00	101,597,397.26
Fujian Province Investment Development Group Co., Ltd.	Financial assets held for trading	51,027,050.00	103,117,260.27
Xiamen Special Economic Zone Real Estate Development Group Co., Ltd.	Financial assets held for trading	-	51,804,172.59
Fujian Provincial Department of Finance	Other debt investments	101,733,506.85	101,733,506.85
Fujian Province Investment Development Group Co., Ltd.	Other debt investments	-	71,863,917.81
Total		234,313,556.85	430,116,254.78

7 Guarantees and commitments of the related parties

The Company commits to providing loans of up to RMB1 billion in total for China Industrial Securities Asset Management Co., Ltd., a subsidiary of the Company. As at 31 December 2021, the loan limit was not utilised by China Industrial Securities Asset Management Co., Ltd.

The Company commits to providing net capital guarantee of up to RMB3 billion in total for China Industrial Securities Asset Management Co., Ltd., a subsidiary of the Company. As at 31 December 2021, China Industrial Securities Asset Management Co., Ltd. has utilised a limit of RMB200 million.

The Company commits to providing counter-guarantee for ICBC - the provider of the standby letter of credit, for the issuance of bonds by IS (Hong Kong) Investment Limited - a special purpose vehicle of Industrial Securities (Hong Kong), which is a subsidiary of the Company. The total amount of the counter-guarantee does not exceed HKD2.5 billion and the term of the guarantee is due on 30 December 2022.

The Company commits to providing a cross-border guarantee for a three-year USD300 million bond issued by its subsidiary, China Industrial Securities International Financial Group Limited, with a balance of US$340 million as at 31 December 2021, equivalent to RMB2,168 million based on the spot exchange rate at the end of the reporting year, until the secured claims are fully satisfied.

During the reporting year, China Industrial Securities International Financial Group Limited, a subsidiary of the Group, provided guarantees for transactions involving CISI Investment Limited, a wholly-owned subsidiary, in the GMRA Agreement and the ISDA Agreement. As at 31 December 2021, the balance of guarantees totalled USD192 million, which was converted to RMB636 million for subsidiaries based on spot exchange rates and equity ratio at the end of the reporting period.

X Commitments and contingencies

1 Commitments

As at 31 December 2021, the Group had no significant commitments.

2 Contingencies

As at 31 December 2021, the Group has no legal proceedings, arbitration or administrative proceedings that are materially expected to have a material adverse effect on the Group's financial position or results of operations.

XI Subsequent events

1 Dividends on ordinary shares proposed for distribution after the balance sheet date

As approved by the fourth meeting of the sixth Board of Directors of the Company on 30 March 2022, the Company will not make any profit distribution or capitalisation of capital reserves for 2021. The proposal is required to be submitted to the general meeting of the Company for approval and review.

2 Issuance of the corporate bonds

The Company completed the 2022 non-public issuance of corporate bonds (phase I) (22 Industrial F1) for the professional investors on 12 January 2022, with an issuance size of RMB5.9 billion. The coupon rate is 3.02% and the maturity term is 2 years.

XII Other significant items

1 Performance of social responsibilities

The Group fulfils its social responsibilities and the amounts it spent on charitable advertisement, donation to disaster relief, grant for education, charitable donation, etc. are as follows:

	2021	*2020*
Charitable donation	33,224,350.77	38,806,723.20
Grant for education	4,617,500.00	3,208,000.00
Total	37,841,850.77	42,014,723.20

2 Margin financing and securities lending

As at 31 December 2021 and 31 December 2020, the Group's margin financing and securities lending businesses are as follows:

	Note	*31 December 2021*	*31 December 2020*
Margin accounts	VI.3	34,458,474,418.54	31,025,020,388.27
Securities lending	VI.11	1,055,621,226.16	2,616,361,197.08
Total		35,514,095,644.70	33,641,381,585.35

3 Bond lending

As at 31 December 2021 and 31 December 2020, types and fair values of bonds borrowed from commercial banks by the Group are as follows:

Bond type	*31 December 2021*	*31 December 2020*
Treasury bonds	2,040,987,630.00	1,022,475,000.00
Total	2,040,987,630.00	1,022,475,000.00

As at 31 December 2021 and 31 December 2020, the fair values of the bonds pledged for the sale of repurchase agreement business among the bonds obtained by the Group through borrowing were RMB 2,040,987,630.00 and RMB 1,022,475,000.00, respectively.

4 Classification of financial instruments measurement basis

All the measurement basis for financial instruments adopted by the Groups are summarized in the table below

	Carrying amount at 31 December 2021					
		Measured at fair value through other comprehensive income		*Measured at fair value through profit or loss*		
Financial assets	*Financial assets measured at amortised cost*	*Financial assets measured at fair value through other comprehensive income*	*Investment in non-held-for-trading equity instrument designated at fair value through other comprehensive income*	*Financial assets classified at fair value through profit or loss*	*Financial assets designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial assets designated at fair value through profit or loss in accordance with Hedge Accounting*
Cash at bank and on hand	66,854,433,851.14	-	-	-	-	-
Balances with clearing companies	6,612,407,979.83	-	-	-	-	-
Margin accounts	34,458,474,418.54	-	-	-	-	-
Derivative financial assets	-	-	-	268,756,832.59	-	-
Refundable deposits	9,181,176,019.72	-	-	-	-	-
Accounts receivable	1,691,381,835.04	-	-	-	-	-
Financial assets held under resale agreements	6,671,664,926.94	-	-	-	-	-
Financial assets held for trading	-	-	-	60,101,961,570.20	-	-
Other debt investments	-	22,132,859,754.95	-	-	-	-
Other assets (financial assets)	948,167,581.89	-	-	-	-	-

Financial assets	*Carrying amount at 31 December 2020*					
		Measured at fair value through other comprehensive income		*Measured at fair value through profit or loss*		
	Financial assets measured at amortised cost	*Financial assets measured at fair value through other comprehensive income*	*Investment in non-held-for-trading equity instrument designated at fair value through other comprehensive income*	*Financial assets classified at fair value through profit or loss*	*Financial assets designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial assets designated at fair value through profit or loss in accordance with Hedge Accounting*
Cash at bank and on hand	48,924,494,020.52	-	-	-	-	-
Balances with clearing companies	7,308,103,925.30	-	-	-	-	-
Margin accounts	31,025,020,388.27	-	-	-	-	-
Derivative financial assets	-	-	-	49,479,531.67	-	-
Refundable deposits	6,922,793,130.17	-	-	-	-	-
Accounts receivable	1,951,852,142.60	-	-	-	-	-
Financial assets held under resale agreements	4,552,495,226.73	-	-	-	-	-
Financial assets held for trading	-	-	-	49,574,401,398.72	-	-
Other debt investments	-	21,592,386,057.78	-	-	-	-
Investments in other equity instruments	-	-	2,552,845,981.04	-	-	-
Other assets (financial assets)	878,536,880.07	-	-	-	-	-

Financial liabilities	*Carrying amount at 31 December 2021*			
		Measured at fair value through profit or loss		
	Financial liabilities at amortised cost	*Financial liabilities classified at fair value through profit or loss*	*Financial liabilities designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial liabilities designated at fair value through profit or loss in accordance with Hedge Accounting*
Short-term loans	(433,448,118.55)	-	-	-
Short-term financing payables	(7,970,752,053.37)	-	-	-
Placements from banks and other financial institutions	(1,500,411,111.12)	-	-	-
Financial liabilities held for trading	-	(9,001,776.00)	(1,978,542,777.91)	-
Derivative financial liabilities	-	(474,744,342.04)	-	-
Financial assets sold under repurchase agreements	(30,245,317,379.95)	-	-	-
Accounts payable to brokerage and margin clients	(60,512,270,942.02)	-	-	-
Accounts payable to securities underwriting clients	(100,000,000.00)	-	-	-
Accounts payable	(5,764,636,707.72)	-	-	-
Debentures payable	(52,881,795,085.13)	-	-	-
Lease liabilities	(847,005,170.25)	-	-	-
Other liabilities (financial liabilities)	(347,897,700.30)	-	-	-

Financial liabilities	*Carrying amount at 31 December 2020*			
		Measured at fair value through profit or loss		
	Financial liabilities at amortised cost	*Financial liabilities classified at fair value through profit or loss*	*Financial liabilities designated at fair value through profit or loss in accordance with Recognition and Measurement of Financial Instruments*	*Financial liabilities designated at fair value through profit or loss in accordance with Hedge Accounting*
Short-term loans	(3,863,492,274.65)	-	-	-
Short-term financing payables	(8,583,219,337.18)	-	-	-
Placements from banks and other financial institutions	(530,079,333.33)	-	-	-
Financial liabilities held for trading	-	(11,463,136.80)	(2,605,556,621.40)	-
Derivative financial liabilities	-	(132,678,348.19)	-	-
Financial assets sold under repurchase agreements	(25,780,652,893.10)	-	-	-
Accounts payable to brokerage and margin clients	(44,535,262,960.73)	-	-	-
Accounts payable to securities underwriting clients	(136,603,936.40)	-	-	-
Accounts payable	(2,668,336,901.81)	-	-	-
Debentures payable	(43,175,255,512.22)	-	-	-
Other liabilities (financial liabilities)	(655,287,561.57)	-	-	-

XIII Risk management

1 Risk management policy and risk governance structure

(1) Risk management policy

In 2021, the Company implemented a neutral yet prudent-leaning risk appetite strategy. Guided by the strategic goal of creating a first-class securities financial group, the company further improves its comprehensive risk management system in compliance with regulatory requirement, which enables the Company to cover, monitor, measure, analyse and respond to risks. Such improvements include sound organisational structure, operational management system, reliable information technology system, data management system, quantitative risk indicator system, professional talent team, effective risk response mechanism and sound risk management culture.

(2) Risk governance structure

The Group attaches great importance to comprehensive risk management, and actively complies with external requirements and based on the Group's actual situation to establish a comprehensive risk management system that matches the Group's development, including practical management system, sound organisational structure, reliable information technology system, quantitative comprehensive risk indicator system, professional team of talents and effective risk response mechanism.

The Group's comprehensive risk governance structure is composed of the Board of Directors, the Board of Supervisors, Operation Management, Risk Management Department, all departments, branches and subsidiaries (i.e. the Board of Directors and its Risk Control Committee, the Board of Supervisors - company's Operation Management and its Risk Management Committee - Risk Management Department - all departments, branches and subsidiaries).

The Group has established three lines of defence for risk management, with the effective self-control by each department, branch and subsidiary as the first line of defence, the implementation of professional risk management by the risk management department before and during an event as the second line of defence subsequent supervision and evaluation by the audit department as the third line of defence. These "three lines of defence" in risk management governance structure is designed to effectively balance and limit the rights and responsibilities of risk management, and to guarantee the efficiency and effectiveness of risk management.

2 Risk analysis

The risks faced by the Group in its daily operations and management mainly include market risks, liquidity risks, credit risks and operational risk, etc. Through the establishment of the comprehensive risk management system, the company gradually optimises the organisational function, risk strategy, risk measure, and risk management process, cultivates risk culture, establishes scientific risk identification, monitoring, evaluation and control mechanism, and integrates risk management before, during, and after projects, ensuring that the risks are measurable, within control and bearable.

(1) Market risk

Market risk is the risk of loss due to adverse changes in the market faced by the Company. Market risks mainly include equity and other price risks, interest rate risks and exchange rate risks, etc.

(a) Equity and other price risks

Equity and other price risks refer to the risk of losses in equity and other investments made by the company due to asset price fluctuations. The company's equity and other price risks are mainly arising from the company's proprietary trading business involving securities investment. The company has established a risk indicator monitoring system including sensitivity analysis, Options Greeks, value at risk (VaR) and stress testing. Relevant indicators are monitored through daily position monitoring. When these indicators reach or exceed the risk limit authorised by the Company, measures including lightening of positions will be taken for risk control.

Sensitivity analysis

Assuming that the market price of the above investments increases or decreases by 10%, with all other variables held constant, the effect of these assets at the balance sheet on the Group's shareholders' equity and net profit is listed as follows:

	31 December 2021		*31 December 2020*	
	Shareholders' equity (RMB'000)	*Net profit* (RMB'000)	*Shareholders' equity* (RMB'000)	*Net profit* (RMB'000)
Market prices increase by 10%	1,642,251	1,642,251	1,370,177	1,178,713
Market prices decrease by 10%	(1,642,251)	(1,642,251)	(1,370,177)	(1,178,713)

The above sensitivity analysis may differ from actual result due to non-systematic risk of investment.

(b) Interest rate risk

Interest rate risk refers to the risk of fluctuation in the company's financial position, cash flow and price of fixed income proprietary investment arising from movements in market interest rate. The company's interest-bearing assets mainly include bank deposits, balances with clearing companies, Margin accounts, refundable deposits and bond investments, etc. The currency and maturity of customer deposits in securities brokerage and accounts payable to brokerage and margin clients match with each other. The currency and maturity structure of interest rate-sensitive assets and liabilities of corporate brokerage basically match. Therefore, the interest rate risk is within control. The company focuses its fixed income proprietary investment mainly in corporate bonds, enterprise bonds, etc. The company monitors interest rate risk through indicators such as duration, convexity, and basis point value. Possible losses arising from fixed income investment portfolios are assessed through stress testing mechanism.

The following tables indicate the interest rate risk of the Group on each balance sheet date. In the tables, financial assets and liabilities are presented at the carrying amount by the next expected repricing date or maturity date, whichever is earlier:

	31 December 2021					
	Within 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*
Financial assets						
Cash at bank and on hand	64,506,641,845.98	1,724,733,196.13	199,967,628.62	-	423,091,180.41	66,854,433,851.14
Balances with clearing companies	6,608,595,543.58	-	-	-	3,812,436.25	6,612,407,979.83
Margin accounts	11,661,012,293.03	22,408,320,772.37	-	-	389,141,353.14	34,458,474,418.54
Derivative financial assets	2,631,482.08	-	-	-	266,125,350.51	268,756,832.59
Refundable deposits	7,468,925,800.77	-	-	-	1,712,250,218.95	9,181,176,019.72
Accounts receivable	-	-	-	-	1,691,381,835.04	1,691,381,835.04
Financial assets held under resale agreements	4,876,973,171.68	1,354,278,747.04	434,347,451.72	-	6,065,556.50	6,671,664,926.94
Financial assets held for trading	1,703,122,024.37	2,610,910,904.13	19,128,815,963.25	4,153,231,940.85	32,505,880,737.60	60,101,961,570.20
Other debt investments	50,935,000.00	437,209,800.00	13,685,203,790.00	7,445,173,300.00	514,337,864.95	22,132,859,754.95
Other assets (financial assets)	-	-	-	-	948,167,581.89	948,167,581.89
Total financial assets	96,878,837,161.49	28,535,453,419.67	33,448,334,833.59	11,598,405,240.85	38,460,254,115.24	208,921,284,770.84
Financial liabilities						
Short-term loans	433,328,000.00	-	-	-	120,118.55	433,448,118.55
Short-term financing payables	415,726,059.00	7,514,990,000.00	-	-	40,035,994.37	7,970,752,053.37
Placements from banks and other financial institutions	1,500,000,000.00	-	-	-	411,111.12	1,500,411,111.12
Financial liabilities held for trading	-	-	-	-	1,987,544,553.91	1,987,544,553.91
Derivative financial liabilities	-	-	871,865.47	-	473,872,476.57	474,744,342.04
Financial assets sold under repurchase agreements	30,228,129,887.92	-	-	-	17,187,492.03	30,245,317,379.95
Accounts payable to brokerage and margin clients	60,512,270,942.02	-	-	-	-	60,512,270,942.02
Accounts payable to securities underwriting clients	-	-	-	-	100,000,000.00	100,000,000.00
Accounts payable	-	-	-	-	5,764,636,707.72	5,764,636,707.72
Debentures payable	3,000,000,000.00	12,550,042,328.26	36,823,155,031.10	-	508,597,725.77	52,881,795,085.13
Lease liabilities	65,238,084.20	202,444,874.56	578,809,622.70	512,588.79	-	847,005,170.25
Other liabilities (financial liabilities)	-	-	-	-	347,897,700.30	347,897,700.30
Total financial liabilities	96,154,692,973.14	20,267,477,202.82	37,402,836,519.27	512,588.79	9,240,303,880.34	163,065,823,164.36
Net exposure	724,144,188.35	8,267,976,216.85	(3,954,501,685.68)	11,597,892,652.06	29,219,950,234.90	45,855,461,606.48

	31 December 2020					
	Within 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*
Financial assets						
Cash at bank and on hand	47,795,404,835.56	757,896,292.83	299,958,245.60	-	71,234,646.53	48,924,494,020.52
Balances with clearing companies	7,305,076,623.93	-	-	-	3,027,301.37	7,308,103,925.30
Margin accounts	12,003,566,684.10	18,687,533,326.03	-	-	333,920,378.14	31,025,020,388.27
Derivative financial assets	-	-	-	-	49,479,531.67	49,479,531.67
Refundable deposits	5,638,594,048.42	-	-	-	1,284,199,081.75	6,922,793,130.17
Accounts receivable	-	-	-	-	1,951,852,142.60	1,951,852,142.60
Financial assets held under resale agreements	1,868,823,199.22	1,594,724,337.90	1,069,940,743.89	-	19,006,945.72	4,552,495,226.73
Financial assets held for trading	1,687,011,109.12	7,278,942,453.23	11,306,879,467.59	3,149,685,419.10	26,151,882,949.68	49,574,401,398.72
Other debt investments	1,578,226,597.26	4,573,729,229.18	8,793,709,440.00	6,094,789,660.00	551,931,131.34	21,592,386,057.78
Investments in other equity instruments	-	-	-	-	2,552,845,981.04	2,552,845,981.04
Other assets (financial assets)	-	-	-	-	878,536,880.07	878,536,880.07
Total financial assets	77,876,703,097.61	32,892,825,639.17	21,470,487,897.08	9,244,475,079.10	33,847,916,969.91	175,332,408,682.87
Financial liabilities						
Short-term loans	3,551,145,786.09	308,035,740.98	-	-	4,310,747.58	3,863,492,274.65
Short-term financing payables	4,441,417,421.24	4,119,360,527.23	-	-	22,441,388.71	8,583,219,337.18
Placements from banks and other financial institutions	530,000,000.00	-	-	-	79,333.33	530,079,333.33
Financial liabilities held for trading	-	-	-	-	2,617,019,758.20	2,617,019,758.20
Derivative financial liabilities	-	-	-	-	132,678,348.19	132,678,348.19
Financial assets sold under repurchase agreements	25,477,874,194.67	-	280,956,453.74	-	21,822,244.69	25,780,652,893.10
Accounts payable to brokerage and margin clients	41,557,176,783.57	-	-	-	2,978,086,177.16	44,535,262,960.73
Accounts payable to securities underwriting clients	-	-	-	-	136,603,936.40	136,603,936.40
Accounts payable	-	-	-	-	2,668,336,901.81	2,668,336,901.81
Debentures payable	5,495,500,000.00	15,000,000,000.00	21,956,029,568.82	-	723,725,943.40	43,175,255,512.22
Other liabilities (financial liabilities)	-	-	-	-	655,287,561.57	655,287,561.57
Total liabilities	81,053,114,185.57	19,427,396,268.21	22,236,986,022.56	-	9,960,392,341.04	132,677,888,817.38
Net exposure	(3,176,411,087.96)	13,465,429,370.96	(766,498,125.48)	9,244,475,079.10	23,887,524,628.87	42,654,519,865.49

The following table shows the impact on net profit and shareholders' equity based on the structure of financial assets and financial liabilities at balance sheet date, arising from yield curve shifting upward or downward parallel by 25 basis points at the same time.

	31 December 2021		*31 December 2020*	
	Shareholders' equity (RMB'000)	*Net profit* (RMB'000)	*Shareholders' equity* (RMB'000)	*Net profit* (RMB'000)
The yield curve shifts upward by 25 basis points	(663,680)	(301,151)	(384,227)	(137,414)
The yield curve shifts downward by 25 basis points	669,225	303,478	386,259	138,336

The above prediction assumes that yield curves of assets and liabilities with all maturities shift upward or downward parallel. Therefore, it does not reflect the potential impact when certain yields change but the others remain constant. Such prediction is also based on other simplified assumptions, including that all positions will be held to maturity.

The Group considers that this assumption does not represent the Group's capital utilisation and interest rate risks management policies, and therefore these impacts may differ from actual results.

In addition, the above impact analysis of interest rate changes is just an example, which shows estimated changes in net profit and other comprehensive income under each expected revenue curve and the current interest rate risk of the Group. However, the impact does not consider the risk management activities that the management may take to reduce interest rate risk.

(c) Foreign currency risk

Foreign currency risk is the risk of the Group's foreign currency transactions arising from fluctuations in the exchange rate. 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 monetary funds 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. The Company holds Hong Kong Stocks as main foreign investments at the moment. The Company monitor daily fluctuations in the exchange rate of RMB to Hong Kong dollars so as to control foreign currency risk caused by Hong Kong stocks. In respect of cash at bank and on hand, balances with clearing companies, refundable deposits, Accounts payable to brokerage and margin clients and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

As foreign currency transactions accounted for a relatively low proportion of the Group's total assets, liabilities and income, the Group's foreign exchange risk was not significant and therefore no sensitivity analysis was conducted.

(2) Liquidity risk

Liquidity risk refers to the risk of securities firms not being able to obtain sufficient funds at a reasonable cost in time to meet due debts, perform other payment obligations and meet the capital requirements of normal business. With the increase of leverage in the Company's business, the Company may face an increasing maturity mismatch of its assets and liabilities, which may result in a certain degree of liquidity risks in the future. The Company has established a liquidity risk management system with risk limits and warning indicators. The Company sets the risk limits and monitor liquidity risks in adjust to its business, nature, complexity, risk appetite and changes in the market, so as to ensure that the liquidity coverage ratio and net stable funding ratio meet the regulatory requirements constantly. 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 set out the remaining contractual maturities at the balance sheet date of the Group's financial liability, which 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 period) and the earliest date the Group can be required to pay:

	31 December 2021							
	On demand	*Within 1 months*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Total*	*Carrying amount at balance sheet date*
Short-term loans	-	434,267,741.58	-	-	-	-	434,267,741.58	433,448,118.55
Short-term financing payables	-	266,757,184.82	150,738,216.45	7,637,346,041.50	-	-	8,054,841,442.77	7,970,752,053.37
Placements from banks and other financial institutions	-	1,500,719,444.44	-	-	-	-	1,500,719,444.44	1,500,411,111.12
Financial liabilities held for trading	703,704,832.90	495,528,757.81	-	35,766,714.29	752,544,248.91	-	1,987,544,553.91	1,987,544,553.91
Derivative financial liabilities	2,413,100.00	17,336,573.67	36,305,329.86	337,502,585.60	81,186,752.91	-	474,744,342.04	474,744,342.04
Financial assets sold under repurchase agreements	1,176,685,399.66	28,724,414,122.83	365,721,170.47	-	-	-	30,266,820,692.96	30,245,317,379.95
Accounts payable to brokerage and margin clients	60,512,270,942.02	-	-	-	-	-	60,512,270,942.02	60,512,270,942.02
Accounts payable to securities underwriting clients	100,000,000.00	-	-	-	-	-	100,000,000.00	100,000,000.00
Accounts payable	2,674,978,438.05	17,456,273.97	120,939,754.28	2,081,589,071.05	869,673,170.37	-	5,764,636,707.72	5,764,636,707.72
Debentures payable	-	120,750,000.00	3,216,000,000.00	13,967,315,604.48	38,564,554,202.21	-	55,868,619,806.69	52,881,795,085.13
Lease liabilities	-	41,642,292.89	30,595,172.87	220,979,191.91	609,608,815.79	515,007.15	903,340,480.61	847,005,170.25
Other liabilities (financial liabilities)	312,163,953.38	4,854,844.38	34,141,577.63	513,822.74	33,900.00	-	351,708,098.13	347,897,700.30
Net position	65,482,216,666.01	31,623,727,236.39	3,954,441,221.56	24,281,013,031.57	40,877,601,090.19	515,007.15	166,219,514,252.87	163,065,823,164.36

	31 December 2020							
	On demand	*Within 1 months*	*More than 1 month but less than 3 months*	*More than 3 months but less than 1 year*	*More than 1 year but less than 5 years*	*More than 5 years*	*Total*	*Carrying amount at balance sheet date*
Short-term loans	280,459,098.38	3,135,640,839.55	141,515,784.14	310,880,672.51	-	-	3,868,496,394.58	3,863,492,274.65
Short-term financing payables	-	372,676,248.43	4,097,777,443.87	4,161,848,039.43	-	-	8,632,301,731.73	8,583,219,337.18
Placements from banks and other financial institutions	-	530,261,055.56	-	-	-	-	530,261,055.56	530,079,333.33
Financial liabilities held for trading	1,016,150,601.84	586,188,326.33	113,883,452.21	539,522,821.51	361,274,556.31	-	2,617,019,758.20	2,617,019,758.20
Derivative financial liabilities	-	4,989,444.49	78,375,691.06	46,024,794.87	3,288,417.77	-	132,678,348.19	132,678,348.19
Financial assets sold under repurchase agreements	1,647,857,155.49	23,607,131,509.32	250,109,606.09	-	300,841,927.07	-	25,805,940,197.97	25,780,652,893.10
Accounts payable to brokerage and margin clients	44,535,262,960.73	-	-	-	-	-	44,535,262,960.73	44,535,262,960.73
Accounts payable to securities underwriting clients	136,603,936.40	-	-	-	-	-	136,603,936.40	136,603,936.40
Accounts payable	2,105,953,928.37	6,255,247.07	37,199,650.53	353,563,924.37	165,364,151.47	-	2,668,336,901.81	2,668,336,901.81
Debentures payable	-	4,756,500,000.00	1,274,714,250.00	16,225,079,997.39	23,005,709,566.21	-	45,262,003,813.60	43,175,255,512.22
Other liabilities (financial liabilities)	591,605,493.48	6,215,007.13	58,313,932.47	6,272,723.76	31,500.00	-	662,438,656.84	655,287,561.57
Net position	50,313,893,174.69	33,005,857,677.88	6,051,889,810.37	21,643,192,973.84	23,836,510,118.83	-	134,851,343,755.61	132,677,888,817.38

(3) Credit risk

Credit risk is the risk caused by debtors or counterparties failing to perform their contractual obligations.

The Company mainly faces four types of credit risks: (i) credit risk of brokerage business, namely the agent service for customers to carry out securities trading and futures trading. If the customers are not required to pay sufficient margin deposits in advance, but do not have sufficient funds to pay for the transaction at the settlement date, or face financing gaps due to other factors, the Company have to bear the credit losses from undertaking the settlement responsibility on behalf of customers; (ii) default risk of bond investments, namely the risk of asset loss and income change caused by the default and refusal of issuer of bonds invested to repay the principal and interest due; (iii) counterparty credit risk, namely the risk of the Company suffering from loss caused by the counterparty's failure to perform its contractual obligations. The Company's counterparty credit risk is mainly concentrated on interest rate swaps business and over-the-counter derivatives business; (iv) credit risk of financing business, namely loss caused by the customers' failure to make the full and timely repayment of the liability as agreed in the contract. Financing business is a general name of three businesses, i.e. margin trading and short selling business, contracted repurchasing securities trading business, and stock-pledged financing business.

For the credit risks arising from brokerage business, the Company carries out securities trading on behalf of customers in the settlement of full margin deposits. Through this way, the settlement risk related to trading volume is significantly under control. For the bonds repurchase business conducted by the customers, the Company has strict requirements on the qualification of customers that apply for conducting repurchase business, it controls the proportion of standard bonds and repurchase arbitrage multiple used by the customers, and assigns designated person to monitor on a real-time basis, so as to contact with customers and resolve the risk in time.

For default risk of bond investments, the Company has formulated Operating Procedures for Internal Rating of Fixed Income Investment of Industrial Securities Co., Ltd.. The Company has strict requirements on bond ratings when making investments. In addition to external credit ratings, the Company developed internal credit rating model of bonds to assess the internal rating of the bonds invested by the Company. Through the comprehensive analysis and dynamic comparison between internal ratings and external ratings, the Company closely monitors the operations and credit level of bond issuers to identify credit risks in advance, modify the investment structure and avoid default risks. Besides, for the concentration risk of bond investments, the Company has established corresponding thresholds monitoring system and implemented decentralized investment strategy to avoid significant loss caused by the decrease of credit rating or default of a single bond. During the reporting period, defaults occurred under the Company's bonds invested, against which the Company has commenced litigation and applied for property preservation.

For counterparty credit risk, the Company will investigate and study potential counterparties in advance to set up internal ratings and credit limits respectively according to their industry position, asset scale and operations. During the reporting period, no scale of business developed between the Company and its counterparties exceeded the limits.

For credit risk of financing business, the Company has established customer qualification review mechanism according to internal and external regulations to review customers' financial position, credit status, financing purpose, risk tolerance and their sensitivity to the fluctuation of securities market. The Company has also established project risk management evaluation system to assess customers' willingness and capability to repay, the probability of default and the related possible loss so as to put a limit on their transaction amount; the Company analyses the credit status of customers' financing project and controls the business scale of individual investors and securities , based on the analysis of customers' entities; the Company also takes related risk data as key monitoring values and designs early warning thresholds for risk management in the monitoring system to conduct daily monitoring and warning; the Company has established quantitative analysis system for credit risks to assess credit risks through stress testing and other approaches. During the reporting period, defaults by customers occurred under the Company's financing business. The Company dealt with these defaults through negotiation with customers, or abiding by agreement terms to mitigate risk.

The Company establishes expected credit loss model to measure impairment loss of financial instruments by comprehensively considering the time value of money and reasonable and supportable information that could be obtained at the balance sheet date without undue cost or effort about past events, current conditions and forecasts of future economic conditions based on the probability-weighted average, in adjust to the classification and nature of financial instruments and its risk management practice.

The Company classifies the impairment stage based on individual financial instrument or financial instrument portfolio to effectively monitor credit risks and make regular adjustment: (1) Stage 1: financial instruments with low credit risk as at the balance sheet date or no significant increase in credit risk since initial recognition, impairment provision for which shall be measured by an amount equal to the next 12 months expected credit loss (or within the expected duration if it is less than 12 months); (2) Stage 2: financial instruments of which credit risk has increased significantly since initial recognition, but no credit impairment has occurred, i.e. no objective evidence of credit loss for financial instrument, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss; (3) Stage 3: financial instruments that have become credit-impaired subsequent to initial recognition, impairment provision for which shall be measured by an amount equal to the lifetime expected credit loss.

The Company adopts the probability of default/loss given default method and loss rate method to measure expected credit losses based on the risk characteristics and information of the assets. The probability of default/loss given default method refers to the method of measuring expected credit losses by estimating the exposure at default (EAD), probability of default (PD), and loss given default (LGD) of a single asset or asset portfolio. The loss rate method refers to the method of directly estimating the loss rate to measure the expected credit losses without estimating the probability of default and the loss given default. When measuring expected credit loss, the Company considers forward-looking information that is relevant and available without undue cost or effort, including macroeconomic factors, industrial policies and industrial environment, based on which, the Company determines adjustment coefficient and adjusts measurement result of expected credit loss.

The impairment loss of asset arising from the Company's stock-pledged financing business is measured by adopting probability of default/loss given default method.

(1) According to the classification criteria, the impairment stage is classified as the stage 3 if any of the following conditions is met: current performance guarantee percentage lower than 100%; over 30 days overdue; asset that meets other internal definitions of default. The impairment stage is classified as stage 2 where none of the conditions of stage 3 is met but any of the following conditions is: current performance guarantee percentage lower than minimum performance guarantee percentage but higher than or equal to 100%; less than 30 days (included) overdue; asset that meets other internal definitions of significant increase in credit loss. Stage 1: asset that does not meet conditions of stage 2 and stage 3.

(2) The method of impairment measurement: the impairment provision for the Company's stock-pledged financing business is determined according to the product of probability of default, loss given default and exposure at default after a forward-looking adjustment is made. For stock-pledged financing business with no credit impaired, the probability of default is estimated and set up by roll rate analysis modelling; the loss given default is estimated and set up based on industrial benchmark experience. For stock-pledged financing business with credit impaired, the amount of impairment loss is determined based on specific identification method. When evaluating expected receivable cash flows, the Company shall consider credit status and repayment ability of debtors and make comprehensive assessment on collateral status and other factors.

(a) Maximum exposure to credit risk

The maximum credit risk exposure at the balance sheet date without taking account of any collateral and other credit enhancements refers to the carrying value of the relevant financial assets after impairment provision. The Group's maximum exposure to credit risk amounts is set out below:

	31 December 2021	*31 December 2020*
Cash at bank and on hand	66,854,433,851.14	48,924,441,976.52
Balances with clearing companies	6,612,407,979.83	7,308,103,925.30
Margin accounts	34,458,474,418.54	31,025,020,388.27
Financial assets held for trading	38,042,495,683.64	30,839,564,477.33
Derivative financial assets	268,756,832.59	49,479,531.67
Financial assets held under resale agreements	6,671,664,926.94	4,552,495,226.73
Accounts receivable	1,691,381,835.04	1,951,852,142.60
Refundable deposits	9,181,176,019.72	6,922,793,130.17
Other debt investments	22,132,859,754.95	21,592,386,057.78
Other assets (financial assets)	948,167,581.89	878,536,880.07
Total maximum exposure to credit risk amounts	186,861,818,884.28	154,044,673,736.44

(b) Credit risk ratings of bond investments

The Group uses credit rating approach to monitor the credit risk of the bond investment portfolio. The following table illustrates the credit rating of the bond investments of the Group at the balance sheet date. Among them, unrated bond investments mainly include treasury bonds, local government bonds and policy financial bonds.

The Group held no bond investments with short-term credit ratings as at 31 December 2021 (31 December 2020: Nil).

The bond investments by long-term credit rating are as follows:

	31 December 2021	*31 December 2020*
AAA	29,953,446,052.40	27,896,490,147.99
A to AA+	9,804,413,444.60	9,351,617,419.37
A (inclusive) and lower ratings	1,464,941,005.04	2,235,595,337.95
Total	41,222,800,502.04	39,483,702,905.31

Unrated bonds:

	31 December 2021	*31 December 2020*
Unrated	9,694,385,537.32	6,042,465,511.51

(4) Operational risk

Operational risk refers to the risk of direct or indirect losses arising from inadequate or problematic internal procedures, staffing, systems or external events.

In order to prevent such operational risk, the Company establishes a complete corporate governance structure and internal control system and sets up a complete operational risk identification and evaluation system to identify and evaluate the Group’s operational risk points and gradually improves measurement methods of operational risks to reduce probability of operational risks. The Company establishes an operational risk management system and gradually promotes on a pilot basis. It also gradually carries out self-assessment of operational risk and control, monitoring of key risk indicators and gathering of risk events and loss data and other approaches to optimize operational risk management through the application of systematic tools, collection and analysis of risk information of each business process and early warning of operational risk. During the reporting period, the reporting management of key risk indicators and monthly risk reports was further strengthened.

(5) Capital management

The Group’s primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, expected capital expenditure and risk level. Adjustments are made to the capital structure in light of changes in the factors mentioned above affecting the Group.

On 23 January 2020, the China Securities Regulatory Commission ("CSRC") issued the *Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies*, which came into force on 1 June 2020. Then On 20 March 2020, the CSRC issued the *Administrative Measures for the Risk Control Indicators of Securities Companies (Revision 2020)*, which came into force on 20 March 2020. The risk control indicators and criteria were revised in relevant regulations that securities companies must keep reviewing. The Company keeps to meet the criteria for risk control indicators constantly.

(6) Transfer of financial assets

In the ordinary course of business, the Group transfers recognised financial assets to third parties or clients during some transactions, but retains the risks and rewards of the transferred financial assets. Therefore, the Group does not derecognise such financial assets in the balance sheet.

The Group receives payments from the transfer of investment in financial assets held for trading to counterparties and has signed agreements to repurchase such assets. According to the agreements, the counterparties have the right to receive contractual cash flows during the term of the agreements and use such securities again as collateral, and are obliged to return such securities to the Group on the due date specified in the agreements. The Group believes that the risks and rewards of such financial assets are not transferred and therefore it does not derecognise such financial assets in the balance sheet.

As at 31 December 2021, financial assets transferred but not derecognised and their related liabilities are as follows:

	Financial assets held for trading		*Total*
	Securities lending	*Financial assets sold under outright repurchase agreements*	
Carrying amount of transferred assets	586,982,242.30	-	586,982,242.30
Carrying amount of related liabilities	-	-	-
Net position	586,982,242.30	-	586,982,242.30

As at 31 December 2020, financial assets transferred but not derecognised and their related liabilities are as follows:

	Financial assets held for trading		*Total*
	Securities lending	*Financial assets sold under outright repurchase agreements*	
Carrying amount of transferred assets	535,949,463.08	-	535,949,463.08
Carrying amount of related liabilities	-	-	-
Net position	535,949,463.08	-	535,949,463.08

XIV Fair values of financial assets and liabilities

The following table presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1 Fair value of assets and liabilities measured at fair value at the end of the year

	Note	31 December 2021 Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Assets					
Financial assets held for trading	VI.8				
- Bonds		1,374,452,164.65	26,221,707,344.47	774,744,431.25	28,370,903,940.37
- Public offering funds		12,801,467,895.65	275,574,872.28	-	13,077,042,767.93
- Stocks		9,754,641,394.75	942,656,112.67	463,611,546.01	11,160,909,053.43
- Wealth management products issued by banks		335,495,865.30	5,156,984.30	-	340,652,849.60
- Asset management products issued by securities firms		81,925,369.23	450,720,754.52	-	532,646,123.75
- Trust schemes		-	497,100.00	206,024,318.91	206,521,418.91
- Asset management plans and others		-	4,260,173,442.57	2,153,111,973.64	6,413,285,416.21
Other debt investments	VI.9	227,475,012.61	21,905,384,742.34	-	22,132,859,754.95
Investments in other equity instruments	VI.10	-	-	-	-
Derivative financial assets	VI.4	-	268,756,832.59	-	268,756,832.59
Total assets measured at fair value on a recurring basis		24,575,457,702.19	54,330,628,185.74	3,597,492,269.81	82,503,578,157.74
Liabilities					
Financial liabilities held for trading	VI.23	9,001,776.00	1,978,542,777.91	-	1,987,544,553.91
Derivative financial liabilities	VI.4	2,413,100.00	471,459,376.57	871,865.47	474,744,342.04
Total liabilities measured at fair value on a recurring basis		11,414,876.00	2,450,002,154.48	871,865.47	2,462,288,895.95

	Note	31 December 2020 Level 1	Level 2	Level 3	Total
Recurring fair value measurements					
Assets					
Financial assets held for trading	VI.8				
- Bonds		552,661,265.74	22,456,917,507.39	150,195,641.09	23,159,774,414.22
- Public offering funds		8,326,095,889.56	243,000,982.03	-	8,569,096,871.59
- Stocks		10,046,592,782.78	1,088,533,410.48	378,609,139.25	11,513,735,332.51
- Wealth management products issued by banks		1,163,287,660.35	-	-	1,163,287,660.35
- Asset management products issued by securities firms		17,172,309.76	929,085,878.96	-	946,258,188.72
- Trust schemes		-	48,634,144.30	191,896,094.22	240,530,238.52
- Asset management plans and others		-	1,963,679,760.85	2,018,038,931.96	3,981,718,692.81
Other debt investments	VI.9	303,084,657.54	21,289,301,400.24	-	21,592,386,057.78
Investments in other equity instruments	VI.10	-	2,552,845,981.04	-	2,552,845,981.04
Derivative financial assets	VI.4	-	49,479,531.67	-	49,479,531.67
Total assets measured at fair value on a recurring basis		20,408,894,565.73	50,621,478,596.96	2,738,739,806.52	73,769,112,969.21
Liabilities					
Financial liabilities held for trading	VI.23	383,320,934.72	2,233,698,823.48	-	2,617,019,758.20
Derivative financial liabilities	VI.4	-	130,482,849.45	2,195,498.74	132,678,348.19
Total liabilities measured at fair value on a recurring basis		383,320,934.72	2,364,181,672.93	2,195,498.74	2,749,698,106.39

2 Basis of determining the market price for recurring and non-recurring fair value measurements categorised within Level 1

For financial assets held for trading, financial assets measured at fair value through profit or loss, other debt instruments and available-for-sale financial assets with an active market, their fair value is determined by the closing price of the active market at the last trading day before the balance sheet date.

3 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 2

The fair value of financial assets held for trading, financial assets measured at fair value through profit or loss, Other debt investments and available-for-sale financial assets is the quoted price in the valuation system of relevant bond registration and settlement institutions. The relevant quotation institutions use observable inputs reflecting market conditions in the process of quotation.

For investments in equity instrument and investments in asset management plans and trust plans without an active market under the financial assets held for trading and investments in other equity instrument, if the manager regularly quotes the net value of the corresponding structural entity, the fair value of the corresponding structural entity shall be determined by the discount value of future cash flows. The discount rate used is derived from the relevant observable yield curve as at the end of the reporting period.

For forward and swap interest rate derivative contracts under the derivative financial assets and liabilities, their fair value is determined by the discount value of future cash flows at market rate according to the provisions and maturity date of each contract. The fair value of derivatives embedded in swap contracts is determined by the return calculated by relevant quoted market prices. The fair value of option business is determined by option pricing model where the volatility of the subject matter reflects the observable input of corresponding option.

4 Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The Group has established processes to determine appropriate valuation techniques and inputs for Level 3 fair value measurements. The risk management department of the Group regularly reviews relevant processes and the appropriateness of fair value determination.

Quantitative information about Level 3 fair value measurements is as follows:

	Fair value at 31 December 2021	*Main valuation techniques*	*Unobservable inputs*	*Effect on fair value*
Financial assets held for trading				
Bonds	774,744,431.25	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Stocks	463,611,546.01	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Trust schemes	206,024,318.91	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Unlisted equity and private funds	1,953,696,225.63	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted equity	199,415,748.01	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Derivative financial liabilities				
Credit derivatives	871,865.47	Interest rate spread approach	Debt spread	The higher the spread, the lower the fair value

	Fair value at 31 December 2020	*Main valuation techniques*	*Unobservable inputs*	*Effect on fair value*
Financial assets held for trading				
Bonds	150,195,641.09	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Stocks	378,609,139.25	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Trust schemes	191,896,094.22	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Unlisted equity and private funds	1,905,084,559.11	Market approach	Discount for lack of marketability	The higher the discount, the lower the fair value
Unlisted equity	112,954,372.85	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk-adjusted discount rate, the lower the fair value
Derivative financial liabilities				
Credit derivatives	2,195,498.74	Interest rate spread approach	Debt spread	The higher the spread, the lower the fair value

5 Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements

(1) Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements:

				Total gains or losses for the year		Purchases, issues, sales and settlements					
	Balance at 31 December 2020	Transfer into Level 3	Transfer out of Level 3	Included in profit or loss (Note)	Included in other comprehensive income (Note)	Purchases	Issues	Sales	Settlements	Balance at 31 December 2021	Unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year
Assets											
Financial assets held for trading											
- Bonds	150,195,641.09	573,918,408.00	-	(14,018,822.84)	-	64,649,205.00	-	-	-	774,744,431.25	(11,720,918.04)
- Stocks	378,609,139.25	12,728,353.29	(1,875,096.00)	102,726,774.16	-	26,557,565.49	-	(55,135,190.18)	-	463,611,546.01	109,264,734.72
- Trust schemes	191,896,094.22	-	-	14,526,408.27	-	188,626,398.67	-	-	(189,024,582.25)	206,024,318.91	1,837,796.75
- Asset management plans a	2,018,038,931.96	97,525,511.28	(166,693,186.55)	35,117,227.47	-	254,653,068.17	-	(63,540,611.70)	(21,988,966.99)	2,153,111,973.64	20,657,537.82
Derivative financial liabilities											
- Credit derivatives	(2,195,498.74)	-	-	1,323,633.27	-	-	-	-	-	(871,865.47)	-
Total	2,736,544,307.78	684,172,272.57	(168,568,282.55)	139,675,220.33	-	534,486,237.33	-	(118,675,801.88)	(211,013,549.24)	3,596,620,404.34	120,039,151.25

				Total gains or losses for the year		Purchases, issues, sales and settlements					
	Balance at 31 December 2019	Transfer into Level 3	Transfer out of Level 3	Included in profit or loss (Note)	Included in other comprehensive income (Note)	Purchases	Issues	Sales	Settlements	Balance at 31 December 2020	Unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year
Assets											
Financial assets held for trading											
- Bonds	204,444,955.98	-	-	(247,103,538.55)	-	207,354,223.66	-	-	(14,500,000.00)	150,195,641.09	(238,763,761.37)
- Stocks	279,198,133.62	36,909,914.04	(14,291,178.78)	(32,004,250.33)	-	138,284,840.17	-	(29,488,319.47)	-	378,609,139.25	(34,345,546.61)
- Trust schemes	133,356,000.00	-	-	13,202,869.15	-	97,000,000.00	-	(39,778,931.51)	(11,883,843.42)	191,896,094.22	2,707,444.62
- Asset management plans a	1,229,474,679.40	828,182,720.00	(152,136,561.41)	(4,883,852.14)	-	458,066,650.00	-	(316,724,126.81)	(23,940,577.08)	2,018,038,931.96	(137,564,784.34)
Derivative financial liabilities											
- Credit derivatives	(7,578,313.01)	-	-	5,382,814.27	-	-	-	-	-	(2,195,498.74)	5,382,814.27
Total	1,838,895,455.99	865,092,634.04	(166,427,740.19)	(265,405,957.60)	-	900,705,713.83	-	(385,991,377.79)	(50,324,420.50)	2,736,544,307.78	(402,583,833.43)

Note: The above gains or losses for the year included in profit or loss or other comprehensive income are as follows:

	2021	2020
Realised gains or losses included in profit or loss for the year		
- Investment (loss) / income	(94,206,419.75)	137,177,875.83
Unrealised gains or losses included in profit or loss for the year		
- Gains / (loss) from changes in fair value	233,881,640.08	(402,583,833.43)
Total	139,675,220.33	(265,405,957.60)

6 Transfers between different levels of items measured at recurring fair value measurements

In 2021, the financial assets measured at fair value transferred into Level 3 of the Group amounted to RMB 684,172,272.57, which was mainly due to the change of valuation method for unlisted entity according to related regulations; the financial assets measured at fair value transferred from Level 3 to Level 2 amounted to RMB 168,568,282.55, which was mainly due to the change of unlisted equity to listed stocks with restricted shares after financing or listing.

7 Current changes in valuation techniques and the reasons

As at 31 December 2021 and 31 December 2020, there were no significant changes in valuation techniques for the fair value measurements.

8 Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2021 and 2020 except as follows:

	31 December 2021		*Fair value measurements at 31 December 2021 categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Debentures payable	52,881,795,085.13	53,191,446,930.77	-	53,191,446,930.77	-

	31 December 2020		*Fair value measurements at 31 December 2020 categorised into*		
	Carrying amount	*Fair value*	*Level 1*	*Level 2*	*Level 3*
Debentures payable	43,175,255,512.22	43,254,471,185.90	-	43,254,471,185.90	-

XV Notes to the Parent Company's financial statements

1 Long-term equity investments

(1) Long-term equity investments by category:

	31 December 2021			31 December 2020		
Item	*Book value*	*Provision for impairment*	*Carrying amount*	*Book value*	*Provision for impairment*	*Carrying amount*
Investments in subsidiaries	10,977,694,052.67	-	10,977,694,052.67	7,042,094,052.67	-	7,042,094,052.67
Investments in associates	89,015,226.76	-	89,015,226.76	40,223,871.67	-	40,223,871.67
Total	11,066,709,279.43	-	11,066,709,279.43	7,082,317,924.34	-	7,082,317,924.34

The Company has no material restriction on transfers of funds to investees.

(2) Investments in subsidiaries

Subsidiary	Balance at 1 January 2021	Additions during the year	Decrease during the year	Balance at 31 December 2021	Provision made during the year	Balance of provision for impairment at the end of the year
Aegon-Industrial Fund	62,428,839.73	-	-	62,428,839.73	-	-
Industrial Securities Futures	1,211,411,012.94	-	-	1,211,411,012.94	-	-
Xingye Chuangxin Capital Management Co., Ltd.	700,000,000.00	-	-	700,000,000.00	-	-
Industrial Securities (Hong Kong)	1,667,754,200.00	835,600,000.00	-	2,503,354,200.00	-	-
Fuzhou Xingzheng Property Management Co., Ltd.	500,000.00	-	-	500,000.00	-	-
China Industrial Securities Asset Management Co., Ltd.	800,000,000.00	-	-	800,000,000.00	-	-
China Industrial Securities Investment Management Co., Ltd.	2,600,000,000.00	3,100,000,000.00	-	5,700,000,000.00	-	-
Total	7,042,094,052.67	3,935,600,000.00	-	10,977,694,052.67	-	-

For information about the subsidiaries of the Company, refer to Note V.1.

(3) Investments in associates

Investee	Balance at 1 January 2021	Movements during the year: Increase in investments	Decrease in investments	Investment income under equity method	Other comprehensive income	Other equity movements	Declared distribution of cash dividends or profits	Provisions for impairment	Others	Balance at 31 December 2021	Balance of provision for impairment at the end of the year
Haixia Equity Exchange (Fujian) Co., Ltd.	40,223,871.67	46,569,449.11	-	2,221,905.98	-	-	-	-	-	89,015,226.76	-

2 Employee benefits payable

	Note	31 December 2021	31 December 2020
Employee benefits	(1)	3,744,706,495.24	3,658,189,804.75
Post-employment benefits - defined contribution plans	(2)	10,717,935.89	9,821,396.47
Total		3,755,424,431.13	3,668,011,201.22

(1) Employee benefits

	Balance at 1 January 2021	Accrued during the year	Paid during the year	Balance at 31 December 2021
Salaries, bonuses, allowances and subsidies	3,649,194,308.86	3,069,655,288.15	(2,990,689,339.68)	3,728,160,257.33
Staff welfare	-	32,933,009.34	(32,933,009.34)	-
Social insurance	79,624.39	117,307,448.23	(117,402,508.07)	(15,435.45)
- Medical insurance	16,280.23	107,824,352.74	(107,858,325.81)	(17,692.84)
- Work-related injury insurance	7,841.89	2,091,923.48	(2,092,118.88)	7,646.49
- Maternity insurance	55,502.27	7,364,849.43	(7,425,740.80)	(5,389.10)
- Other social insurance	-	26,322.58	(26,322.58)	-
Housing fund	57,423.15	152,662,111.97	(152,761,822.67)	(42,287.55)
Labour union fee, staff and workers' education fee	8,858,448.35	43,806,384.26	(36,060,871.70)	16,603,960.91
Others	-	6,587,334.80	(6,587,334.80)	-
Total	3,658,189,804.75	3,422,951,576.75	(3,336,434,886.26)	3,744,706,495.24

	Balance at 1 January 2020	Accrued during the year	Paid during the year	Balance at 31 December 2020
Salaries, bonuses, allowances and subsidies	3,068,008,698.84	2,768,062,357.15	(2,186,876,747.13)	3,649,194,308.86
Staff welfare	-	24,919,129.82	(24,919,129.82)	-
Social insurance	37,235.80	98,197,556.70	(98,155,168.11)	79,624.39
- Medical insurance	34,715.52	91,588,688.04	(91,607,123.33)	16,280.23
- Work-related injury insurance	5,706.55	1,049,463.53	(1,047,328.19)	7,841.89
- Maternity insurance	(3,186.27)	5,559,405.13	(5,500,716.59)	55,502.27
Housing fund	(17,063.33)	125,954,259.00	(125,879,772.52)	57,423.15
Labour union fee, staff and workers' education fee	21,624,565.39	31,543,431.89	(44,309,548.93)	8,858,448.35
Others	-	24,474.97	(24,474.97)	-
Total	3,089,653,436.70	3,048,701,209.53	(2,480,164,841.48)	3,658,189,804.75

(2) Post-employment benefits – defined contribution plans

	Balance at 1 January 2021	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2021*
Basic pension insurance	10,055,858.63	199,282,285.61	(198,526,141.21)	10,812,003.03
Unemployment insurance	2,894.21	6,545,776.82	(6,512,953.41)	35,717.62
Annuity	(237,356.37)	216,860,136.89	(216,752,565.28)	(129,784.76)
Total	9,821,396.47	422,688,199.32	(421,791,659.90)	10,717,935.89

	Balance at 1 January 2020	*Accrued during the year*	*Paid during the year*	*Balance at 31 December 2020*
Basic pension insurance	8,940,558.71	103,294,185.11	(102,178,885.19)	10,055,858.63
Unemployment insurance	5,774.72	3,442,195.97	(3,445,076.48)	2,894.21
Annuity	180,617,488.60	215,747,760.31	(396,602,605.28)	(237,356.37)
Total	189,563,822.03	322,484,141.39	(502,226,566.95)	9,821,396.47

3 Net fee and commission income

	2021	2020
Net income from securities brokerage business	3,314,871,787.14	2,621,645,455.31
- Income from securities brokerage business	3,912,993,695.60	3,130,026,238.51
- Agency securities trading	2,115,906,808.37	1,807,147,853.42
- Lease of trading membership	1,028,075,610.13	784,006,433.89
- Agency sale of financial product	769,011,277.10	538,871,951.20
- Expenses for securities brokerage business	(598,121,908.46)	(508,380,783.20)
- Agency securities trading	(598,121,908.46)	(508,380,783.20)
- Agency sale of financial product	-	-
Net income from investment banking business	1,195,672,630.13	1,314,790,780.12
- Income from investment banking business	1,211,889,369.50	1,325,415,703.75
- Securities underwriting business	1,083,554,938.25	1,210,706,636.62
- Securities sponsorship business	54,360,000.04	51,176,037.76
- Financial advisory business	73,974,431.21	63,533,029.37
- Expenses for investment banking business	(16,216,739.37)	(10,624,923.63)
- Securities underwriting business	(12,752,752.89)	(8,405,099.61)
- Securities sponsorship business	(3,370,166.40)	(2,193,891.86)
- Financial advisory business	(93,820.08)	(25,932.16)
Net income from investment advisory business	70,475,118.60	41,528,628.52
- Income from investment advisory business	70,834,218.60	41,528,628.52
- Expenses on investment advisory business	(359,100.00)	-
Other net fee and commission income	184,716,784.86	125,229,483.20
- Other fee and commission income	200,782,909.12	140,674,942.44
- Other fee and commission expense	(16,066,124.26)	(15,445,459.24)
Total	4,765,736,320.73	4,103,194,347.15
Including: Total fee and commission income	5,396,500,192.82	4,637,645,513.22
Total fee and commission expenses	(630,763,872.09)	(534,451,166.07)

4 Net interest income

	2021	2020
Interest income		
Including: Interest income from cash at bank and balance with clearing companies	979,803,273.48	837,516,481.07
Interest income from margin accounts	2,075,483,834.55	1,541,496,705.41
Interest income from financial assets held under resale agreements	190,836,214.47	184,247,181.23
Including: Interest income from stock-pledged financing	151,581,037.44	178,815,767.70
Interest income from other debt investments	1,005,476,695.90	1,048,110,773.17
Others	37,418,409.16	54,376,408.23
Sub-total of interest income	4,289,018,427.56	3,665,747,549.11
Interest expense		
Including: Interest expense on short-term financing payables	(305,569,013.30)	(72,499,586.29)
Interest expense on banks and other financial institutions	(80,189,915.69)	(93,655,781.54)
Including: Interest expense on the margin refinancing	(58,586,326.71)	(31,620,223.10)
Interest expense for financial assets sold under repurchase agreement	(640,795,337.09)	(489,230,263.32)
Including: Interest expense for stock-pledged financing	(45,021,130.37)	(11,040,712.49)
Interest expenses on accounts payable to brokerage and margin clients	(155,557,412.30)	(112,260,292.03)
Interest expenses on debentures payable	(1,603,868,526.40)	(1,821,101,640.24)
Including: Interest expense on secondary bonds	(418,319,410.16)	(428,556,643.09)
Interest expenses for lease liabilities	(25,715,753.76)	-
Others	(9,662,632.96)	(10,486,931.49)
Sub-total of interest expense	(2,821,358,591.50)	(2,599,234,494.91)
Net interest income	1,467,659,836.06	1,066,513,054.20

5 Investment income

(1) Investment income by category

	2021	2020
Investment income from long-term equity investments accounted for using cost method	290,000,000.00	-
Investment income / (losses) from long-term equity investments accounted for using equity method	2,221,905.98	(3,146,528.34)
Investment income arising from financial instruments	2,011,795,822.84	2,779,645,570.42
Including: Investment income from financial instruments during the holding period	1,527,858,335.57	959,493,994.39
- Financial instruments held for trading	1,377,225,342.42	959,493,994.39
- Investments in other equity instruments	150,632,993.15	-
Investment income from disposal of financial instruments	483,937,487.27	1,820,151,576.03
- Financial instruments held for trading	674,293,911.38	1,983,726,673.58
- Other debt investments	57,583,084.92	20,617,610.31
- Derivative financial instruments	(247,939,509.03)	(184,192,707.86)
Total	2,304,017,728.82	2,776,499,042.08

Details of investment income arising from financial instruments held for trading are as follows:

		2021	2020
Financial assets classified as measured at fair value through profit or loss	Investment income received in holding period	1,377,225,342.42	961,044,980.21
	Gains from disposal	674,293,911.38	1,993,198,079.24
Financial assets designated at fair value through profit or loss	Investment income received in holding period	-	-
	Gains from disposal	-	-
Financial liabilities classified as measured at fair value through profit or loss	Investment losses in holding period	-	(1,550,985.82)
	Losses from disposal	-	(9,471,405.66)
Financial liabilities designated at fair value through profit or loss	Investment income received in holding period	-	-
	Gains from disposal	-	-
Total		2,051,519,253.80	2,943,220,667.97

(2) Investment income of associates and joint ventures

See Note XV.1(3).

(3) Significant restrictions on the remittance of investment returns

None of the above-mentioned investment income faces any significant restriction on the remittance of investment returns.

6 Gains from changes in fair value

	2021	2020
Financial assets held for trading	301,794,583.16	787,183,365.76
Including: Financial assets designated at fair value through profit or loss	-	-
Derivative financial instruments	47,379,002.15	(43,960,053.18)
Total	349,173,585.31	743,223,312.58

7 General and administrative expenses

	2021	2020
Salaries, bonuses, allowances and subsidies	3,069,655,288.15	2,733,057,196.37
Social insurance	539,995,647.55	413,857,495.32
Depreciation and amortisation	453,450,582.27	174,112,904.98
Entertainment expenses	153,494,399.28	117,472,580.16
Housing fund	152,662,111.97	123,140,312.93
Trading seats unit fees	99,062,936.13	73,305,202.32
Software system maintenance fees	93,930,568.55	63,330,774.26
Postage and communication fees	90,306,067.07	102,488,354.15
Other labour costs	83,326,728.40	56,094,719.00
Office expenses	64,981,072.57	51,048,404.53
Others	453,773,507.12	561,522,780.83
Total	5,254,638,909.06	4,469,430,724.85

8 Supplement to cash flow statement

(1) Supplement to cash flow statement

(a) Reconciliation of net profit to cash flows from operating activities:

	2021	2020
Net profit	2,975,607,632.67	2,960,989,759.04
Add: (Reversals of) / impairment losses of credit / assets	(129,639,402.86)	265,576,823.96
Depreciation of right-of-use assets	205,654,900.19	-
Depreciation of fixed assets	96,442,176.71	74,738,824.76
Depreciation of investment properties	2,186,209.83	4,190,841.58
Amortisation of intangible assets	148,438,608.64	95,242,433.37
Amortisation of long-term deferred expenses	41,152,340.69	42,751,917.46
Gains on disposal or retirement of fixed assets, intangible assets and other long-term assets	(3,525,950.23)	(220,951.48)
Gains from changes in fair value	(349,173,585.31)	(743,223,312.58)
Exchange losses	383,613.34	1,081,629.54
Net interest expense	929,676,597.56	845,490,453.36
Investment income	(500,437,984.05)	(17,471,081.97)
Decrease in deferred tax assets	178,833,478.72	64,129,895.55
(Increase) / decrease in financial assets held for trading	(8,185,134,384.67)	1,856,445,961.23
Increase in operating receivables	(8,017,671,676.33)	(10,309,627,776.29)
Increase in operating payables	16,878,885,366.10	7,783,514,292.92
Net cash flows generated from operating activities	4,271,677,941.00	2,923,609,710.45

(b) Significant investing and financing activities not requiring the use of cash:

As at 31 December 2021, the Company has no significant investing and financing activities not requiring the use of cash.

(c) Change in cash and cash equivalents:

	2021	*2020*
Cash at the end of the year	45,580,006,340.53	39,244,186,562.45
Less: Cash at the beginning of the year	(39,244,186,562.45)	(35,319,415,792.08)
Add: Cash equivalents at the end of the year	-	-
Less: Cash equivalents at the beginning of the year	-	-
Net increase in cash and cash equivalents	6,335,819,778.08	3,924,770,770.37

(2) Details of cash and cash equivalents

	31 December 2021	*31 December 2020*
Cash		
- Bank deposits available on demand	38,551,247,259.06	32,398,886,805.20
- Other monetary funds available on demand	57,206,617.55	51,724,891.07
- Balances with clearing companies available on demand	6,971,552,463.92	6,793,574,866.18
Cash equivalents	-	-
Cash and cash equivalents	45,580,006,340.53	39,244,186,562.45

XVI Approval for the financial statements

These financial statements were approved by the Board of Directors on 30 March 2022.

Industrial Securities Co., Ltd.
Notes to the financial statements
Supplementary information

I Non-recurring gains and losses

Item	2021	2020
Disposal of non-current assets	3,890,166.79	271,376.91
Government grants recognized through profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard)	176,408,362.72	177,734,831.86
Other non-operating income and expenses besides items above	(23,430,231.00)	(24,324,549.87)
Tax effect	(39,815,871.66)	(38,606,669.79)
Effect on non-controlling interests after taxation	(35,841,662.01)	(23,086,910.38)
Total	81,210,764.84	91,988,078.73

Gains or losses arising from changes in fair value of financial assets held for trading, financial liabilities held for trading and derivative financial instruments, investment income from financial assets held for trading and investment period, and investment income from disposal of financial assets held for trading, financial liabilities held for trading and derivative financial instruments will not be presented as an extraordinary gain and loss item, but redefined as ordinary gain and loss item, as these businesses are normal operations of the Group as a securities company.

II Return on net assets and earnings per share

In accordance with "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC and relevant accounting standards, the Group's return on net assets and earnings per share are calculated as follows:

31 December 2021	*Weighted average return on net assets (Note)* %	*Basic earnings per share* RMB
Net profit attributable to the Company's ordinary equity shareholders	12.04	0.7083
Net profit excluding extraordinary gain a loss attributable to the Company's ordinary equity shareholders	11.83	0.6961

31 December 2020	*Weighted average return on net assets (Note)* %	*Basic earnings per share* RMB
Net profit attributable to the Company's ordinary equity shareholders	11.07	0.5978
Net profit excluding extraordinary gain a loss attributable to the Company's ordinary equity shareholders	10.82	0.5841

The Company does not have dilutive potential ordinary shares, and therefore, diluted earnings per share of the Company is the same as basic earnings per share.

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of China Industrial Securities International Financial Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Industrial Securities International Financial Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 47 to 159, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment for margin loans	
Refer to note 23 to the consolidated financial statements and the accounting policies on page 65-69.	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2022, the gross amount of margin loans and its related impairment allowance amounted to HK$1,448 million (2021: HK$1,641 million) and HK$917 million (2021: HK$835 million) respectively. The net carrying amount represented 4% (2021: 5%) of the Group's total assets. Management exercises significant judgement in determining the expected credit loss ("ECL") of margin loans. The ECL is subject to a number of key parameters and assumptions, including the classification 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. Margin loans is categorized as Stage 3 when it is credit-impaired. Management measures lifetime ECL of credit-impaired margin loans by considering various factors including realization value of collateral, historical loss rate and any other factors such as remedies available for recovery and the financial situation of the borrower. We identified the impairment assessment for margin loans as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.	Our audit procedures for the impairment assessment for margin loans included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the approval, recording and monitoring of margin loans and collateral shortfalls and the ECL assessment procedures. For the key underlying systems used for the processing of transactions in relation to margin loans, this included involving our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant key internal controls over access to these systems and controls over data and change management; • understanding and assessing the established policies and procedures on impairment assessment including the staging criteria, application of assumptions and inputs into the model; • evaluating, with the assistance of our internal valuation specialists, the reasonableness and appropriateness of the ECL model and the critical assumptions, inputs and parameters used in the model; • assessing the valuation of collateral held for a sample of margin loan balances with publicly available market prices; • assessing the existence of collateral by comparing a sample of securities held as collateral as extracted from the Group's records with independent confirmations or third party statements from brokers or clearing houses; and • assessing the existence and quality of collateral, guarantees or other forms of credit support in evaluating the adequacy of impairment allowance made by the Group for material margin loans classified as Stage 3.

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 HKFRSs issued by the HKICPA 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Ko Sze Man.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
24 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$	2021 HK$
Commission and fee income	5	**223,210,519**	326,540,730
Interest revenue	5	**49,393,205**	106,356,223
Net trading and investment income	5	**(14,599,536)**	203,473,756
Total revenue	5	**258,004,188**	636,370,709
Other income	5	**116,493,723**	31,386,354
Share of result of a joint venture	16	**–**	(20,060,274)
Finance costs	7	**(182,003,396)**	(187,871,898)
Commission and fee expenses	8	**(62,899,895)**	(64,536,118)
Staff costs	9	**(160,103,290)**	(159,927,725)
Other operating expenses		**(163,018,113)**	(166,202,778)
Impairment losses on financial assets	9	**(82,462,673)**	(95,493,470)
Other gains or losses	9	**(29,294,055)**	75,712,803
(Loss)/profit before taxation	9	**(305,283,511)**	49,377,603
Taxation	10	**7,881,095**	(9,283,964)
(Loss)/profit for the year attributable to:		**(297,402,416)**	40,093,639
– Holders of ordinary shares of the Company		**(297,402,416)**	40,093,639
– Holders of other equity instruments of the Company		**–**	–
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income			
– Net movement in fair value reserve (non-recycling)		**(67,928,321)**	–
Item that may be reclassified subsequently to profit or loss:			
– Debt investments at fair value through other comprehensive income			
– Net movement in fair value reserve (recycling)		**(26,989,533)**	–
Other comprehensive income for the year, net of tax		**(94,917,854)**	–
Total comprehensive income for the year attributable to:		**(392,320,270)**	40,093,639
– Holders of ordinary shares of the Company		**(392,320,270)**	40,093,639
– Holders of other equity instruments of the Company		**–**	–
(Loss)/earnings per share attributable to ordinary equity holders of the Company			
Basic (expressed in HKD)	13	**(0.0744)**	0.0100

The notes on pages 53 to 159 form part of these financial statements. Details of dividends declared for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	**2022 HK$**	2021 HK$
Non-current assets			
Property and equipment	*14*	**33,462,873**	76,002,382
Intangible assets	*15*	**11,726,329**	7,658,890
Interest in a joint venture	*16*	**–**	16,125,931
Financial assets at fair value through profit or loss	*17*	**24,726,511**	16,615,824
Debt investments at amortised cost	*19*	**214,953,954**	–
Reverse repurchase agreements	*20*	**92,947,167**	90,036,076
Statutory deposits	*21*	**17,395,812**	19,063,234
Deferred tax assets	*29*	**133,464,944**	121,593,827
Deposits, other receivables and prepayments	*22*	**14,858,045**	14,946,898
		543,535,635	362,043,062
Current assets			
Accounts receivable	*23*	**1,167,456,618**	1,518,484,994
Reverse repurchase agreements	*20*	**–**	120,712,083
Financial assets at fair value through profit or loss	*17*	**2,818,655,977**	4,892,256,938
Financial assets at fair value through other comprehensive income	*18*	**2,174,690,074**	–
Statutory deposits	*21*	**16,785,992**	30,463,929
Deposits, other receivables and prepayments	*22*	**169,308,298**	139,002,439
Tax receivable		**3,707,080**	4,464,870
Bank balances – trust accounts	*24*	**2,874,093,301**	4,268,417,736
Bank balances – general accounts and cash	*24*	**2,703,948,516**	5,458,957,080
		11,928,645,856	16,432,760,069
Current liabilities			
Accounts payable	*27*	**3,150,506,807**	4,786,178,972
Accruals and other payables	*28*	**32,034,528**	101,672,982
Amount due to a fellow subsidiary	*25*	**1,316,280**	4,560,326
Amount due to the immediate holding company	*25*	**–**	2,300,852,500
Contract liabilities		**5,356,160**	5,049,632
Tax payable		**695,364**	252,291
Financial liabilities at fair value through profit or loss	*26*	**50,926,422**	65,396,077
Repurchase agreements	*30*	**1,958,527,621**	1,970,119,726
Bank borrowings	*31*	**1,000,907,152**	530,146,916
Lease liabilities	*33*	**16,305,095**	37,325,638
Other liabilities	*47*	**180,720,209**	238,046,664
		6,397,295,638	10,039,601,724
Net current assets		**5,531,350,218**	6,393,158,345

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$	2021 HK$
Non-current liabilities			
Bonds	32	**2,079,992,337**	2,352,317,863
Deferred tax liabilities	29	**15,814**	18,767
Lease liabilities	33	**–**	15,666,805
		2,080,008,151	2,368,003,435
Net assets		**3,994,877,702**	4,387,197,972
Equity			
Share capital	34	**400,000,000**	400,000,000
Share premium		**3,379,895,424**	3,379,895,424
Accumulated loss		**(1,144,119,533)**	(846,717,117)
Other reserve		**11,577,844**	11,577,844
Capital reserve	35	**442,441,821**	442,441,821
Fair value reserve		**(94,917,854)**	–
Equity attributable to holders of the ordinary shares		**2,994,877,702**	3,387,197,972
Equity attributable to holders of other equity instruments	36	**1,000,000,000**	1,000,000,000
Total equity		**3,994,877,702**	4,387,197,972

The consolidated financial statements on pages 47 to 159 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Cai Junzheng
DIRECTOR

Zhang Chunjuan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Equity attributable to holders of ordinary shares								
	Share capital	**Share premium**	**Capital reserve**	**Fair value reserve**	**Other reserve**	**Accumulated loss**	**Total**	**Other equity instruments**	**Total equity**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
	(Note 34)		*(Note 35)*				*(Note 36)*	*(Note 36)*	
At 1 January 2021	400,000,000	3,379,895,424	442,441,821	–	11,577,844	(886,810,756)	3,347,104,333	–	3,347,104,333
Profit and total comprehensive income for the year	–	–	–	–	–	40,093,639	4,003,639	–	40,093,639
Issue of perpetual securities *(note 36)*	–	–	–	–	–	–	1,000,000,000	1,000,000,000	1,000,000,000
At 31 December 2021 and 1 January 2022	400,000,000	3,379,895,424	442,441,821	–	11,577,844	(846,717,117)	3,387,197,972	1,000,000,000	4,387,197,972
Loss for the year	–	–	–	–	–	(297,402,416)	(297,402,416)	–	(297,402,416)
Other comprehensive income for the year	–	–	–	(94,917,854)	–	–	(94,917,854)	–	(94,917,854)
Total comprehensive income for the year	–	–	–	(94,917,854)	–	(297,402,416)	(392,320,270)	–	(392,320,270)
At 31 December 2022	400,000,000	3,379,895,424	442,441,821	(94,917,854)	11,577,844	(1,144,119,533)	2,994,887,702	1,000,000,000	3,994,877,702

The notes on pages 53 to 159 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$	2021 HK$
OPERATING ACTIVITIES			
(Loss)/profit before taxation		**(305,283,511)**	49,377,603
Adjustments for:			
Finance costs	*7*	**182,003,396**	187,871,898
Depreciation of property and equipment	*9*	**51,416,860**	42,338,233
Amortisation of intangible assets	*9*	**4,549,535**	5,145,124
Impairment losses on financial assets	*9*	**82,462,673**	95,493,470
Fair value changes of interest held by third-party unitholders/ shareholders of consolidated investment funds	*9*	**(13,641,539)**	(18,639,172)
Share of result of a joint venture		**–**	20,060,274
Losses on disposal of property and equipment	*9*	**30,723**	–
Dividend income and interest income from financial assets at fair value through other comprehensive income	*5*	**(44,917,602)**	–
Interest income from debt investments at amortised cost	*5*	**(3,919,843)**	–
Operating cash flows before movements in working capital		**(47,299,308)**	381,647,430
Decrease in statutory deposits		**15,345,359**	1,488,736
(Increase)/decrease in deposits, other receivables and prepayments		**(30,217,006)**	193,702,694
Decrease in financial assets at fair value through profit or loss		**2,090,162,548**	3,107,446,825
Decrease in accounts receivable		**268,845,457**	1,869,302,311
Decrease in reverse repurchase agreements		**117,872,896**	278,061,861
Decrease/(increase) in bank balances – trust accounts		**1,394,316,441**	(953,718,443)
(Decrease)/increase in accounts payable		**(1,635,672,165)**	773,272,443
Decrease in accruals and other payables		**(71,737,893)**	(70,588,837)
Decrease in financial liabilities at fair value through profit or loss		**(14,508,416)**	(86,212,463)
Decrease in repurchase agreements		**(19,128,271)**	(1,264,908,474)
Increase in contract liabilities		**306,528**	4,622,708
(Decrease)/increase in amount due to related parties		**(3,244,046)**	3,208,816
Cash generated from operations		**2,065,042,124**	4,237,325,607
Tax paid		**(2,792,112)**	(10,342,349)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**2,062,250,012**	4,226,983,258
INVESTING ACTIVITIES			
Dividends and interest received from investments		**16,117,449**	–
Purchase of property and equipment	*14*	**(8,908,074)**	(21,264,039)
Purchase of intangible assets	*15*	**(8,616,974)**	(1,079,183)
Purchase of financial assets at fair value through other comprehensive income		**(2,241,850,339)**	–
Purchase of debt investments at amortised cost		**(210,335,211)**	–
Deemed acquisition of a consolidated structured entity	*46*	**1,514,669**	–
NET CASH USED IN INVESTING ACTIVITIES		**(2,452,078,480)**	(22,343,222)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$	2021 HK$
FINANCING ACTIVITIES	*43*		
Interest paid		**(169,767,313)**	(171,431,290)
Bank borrowings raised		**1,490,000,000**	46,224,144,990
Repayments of bank borrowings		**(1,020,000,000)**	(49,514,144,990)
Other borrowings raised		**–**	4,303,792
Repayments of other borrowings		**–**	(769,615,240)
Redemption of notes		**–**	(69,769,800)
Proceeds from issue of bonds		**–**	2,333,859,046
Repurchase of bonds		**(274,774,500)**	–
Capital element of lease rentals paid		**(36,687,348)**	(35,251,163)
Interest element of lease rentals paid		**(1,451,946)**	(2,888,132)
Contributions from third-party unitholders/shareholders of consolidated investment funds		**–**	30,640,827
Withdrawals from third-party unitholders/shareholders of consolidated investment funds		**(51,646,489)**	(75,708,844)
Loan from the immediate holding company		**–**	13,953,500
Repayment of loan from the immediate holding company		**(2,300,852,500)**	–
Proceeds from issue of other equity instruments		**–**	1,000,000,000
NET CASH USED IN FINANCING ACTIVITIES		**(2,365,180,096)**	(1,031,907,304)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,755,008,564)**	3,172,732,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**5,458,957,080**	2,286,224,348
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**2,703,948,516**	5,458,957,080
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances – general accounts and cash	*24*	**2,703,948,516**	5,458,957,080
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE			
Interest received		**270,031,879**	490,193,995
Dividend received		**7,705,174**	8,916,885

The notes on pages 53 to 159 form part of these financial statements.

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The shares of the Company have been listed in GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 October 2016. On 3 January 2019, the Company has successfully transferred the shares listed on GEM of the Stock Exchange to the Main Board of the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see note 2(k));
- derivative financial instruments (see note 2(k)); and
- net assets attributable to third-party unit holder/shareholders' interests in consolidated investment funds (see note 2(k)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, but possesses the practical ability to direct the relevant activities of the investee, the Group considers all relevant facts and circumstances in assessing whether or not the Group has power over the investee, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

When the Group, which is acting as a fund manager, manages and has an investment in a fund, it may determine that its decision-making powers over the relevant activities of the fund are exercised in the capacity of an agent of the investors as a group and, therefore, that it does not control the fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether it is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Different weightings shall be applied by the Group to each of the factors on the basis of particular facts and circumstances unless a single party holds substantive rights to remove the decision maker (removal rights) and can remove the decision maker without cause.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, investment funds managed by the Group are considered as "structured entities".

The Group serves as the investment manager of investment funds. These investment funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such investment funds, with control determined based on an analysis of the guidance in HKFRS 10 *Consolidated financial statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units/shares in such investment funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position, if any.

(e) Investment in a joint venture

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 a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. 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 notes 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in 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 any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(k)).

Unrealised profits and losses resulting from transactions between the Group and its 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in a joint venture *(Continued)*

If an investment in an joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have 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(k)).

In the Company's statement of financial position, investment in a joint venture is stated at cost less impairment losses (see note 2(i)).

(f) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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 in paragraph 63 of HKFRS 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue from contracts with customers *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 are set out in note 5.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand- alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue from contracts with customers *(Continued)*

Variable consideration *(Continued)*

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income arising from broking business of securities, and futures and option contracts dealings is recorded as income on a trade-date basis;

(ii) Commission income arising from insurance brokerage business is recognised as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed, generally at the effective date of the applicable insurance policies;

(iii) Corporate advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income and arrangement fee income are recognised when the Group has fulfilled its obligations under the respective contracts. Depending on the nature of the services and the contract terms, corporate advisory fee and sponsor fee are recognised in profit or loss over time using a method that depicts the Group's performance, or at point in time when the service is completed;

(iv) Commission income arising from placing, underwriting and sub-underwriting is recognised as income when the Group has fulfilled its obligations in accordance with the terms of the agreements;

(v) Realised profits or losses from financial assets/financial liabilities at fair value through profit or loss ("FVTPL") and derivatives are recognized on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses of financial assets/financial liabilities at FVTPL and derivatives are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments;

(vi) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)); and

(vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of equipment, including right-of-use assets arising from leases of underlying equipment (see note 2(q)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	Over the lease term
Motor vehicles	12.5%
Furniture and fixtures	20%
Computer equipment	20% – 33.3%
Properties leased for own use	Over the lease term

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

(i) Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amounts individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment losses on tangible and intangible assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro- rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that including a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The unrealised gain or loss is determined as the change in the fair values of the financial asset between the reporting period, whilst realised gain is determined as difference between the transaction price and the fair value at the prior period-end. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net trading and investment income" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including financial assets measured at amortised cost and FVTOCI, accounts receivable, reverse repurchase agreements, deposits and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for secured margin loans where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, reverse repurchase agreements, deposits and other receivables and bank balances are each assessed as a separate group);
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(vi) Financial guarantee contracts held

Financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument. A contract is classified as a financial guarantee contract when the following conditions are satisfied:

– The reference obligation is a debt instrument

– The holder is compensated only for a loss that it incurs

– The contract does not compensate the holder for more than the actual loss that it incurs.

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

– the guarantee is implicitly part of the contractual terms of the debt instrument;

– the guarantee is required by laws and regulations that govern the contract of the debt instrument;

– the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

– the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial asset'.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset other than equity investment, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognised as profit distribution at the time of declaration.

Financial liabilities at amortised cost

Financial liabilities not classified as at FVTPL (including amount due to related parties, accounts payable, bank borrowings, other borrowings, notes, repurchase agreements, contract liabilities, other liabilities, lease liabilities and other payables) are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities.

As at year end, such financial liability of net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds is presented as an "other liabilities" in the consolidated statement of financial position.

In the case of acquisition or disposals of such non-controlling interests in consolidated investment funds, any difference between the acquisition cost or sale price of these non-controlling interests and the carrying value of these non-controlling interests is recognised as an increase or decrease in a liability which would be reflected in the consolidated statement of profit or loss.

Derecognition/substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position and continue to be recognised as "financial assets at FVTPL". The proceeds from selling such assets are presented as "Repurchase agreements" in the consolidated statement of financial position. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the consolidated statement of financial position. Reverse repurchase agreements are measured at amortised cost as they are held for the collection of contractual cash flows which represent solely payments of principal and interest. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(f)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses in accordance with the policy set out in note 2(k).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Taxation

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(q) Leased asset

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Leased asset *(Continued)*

As a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see 2(g) and 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. 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 presents lease liabilities separately in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) 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).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) 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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of its customers. These client securities arising thereon are excluded from the consolidated financial statements, as they are not assets of the Group.

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the "bank balances — trust and segregated accounts" within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

Neither of these amendments to HKFRSs 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Measurement of ECL

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Selecting appropriate models and assumptions for the measurement of ECL;

– Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 41. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information with significant judgements involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 41 for more details on ECL.

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Fair value measurement of financial instruments

Financial assets at FVTPL amounting to HK$734,690,376 as at 31 December 2022 (2021: Financial assets at FVTPL and financial liabilities at FVTPL amounting to HK$743,969,178 and HK$1,066,372 respectively) are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 41 for further disclosures.

Measurement of ECL

Impairment assessment under ECL for accounts receivable (except for secured margin loans)

The Group uses a provision matrix to calculate ECL for the accounts receivable (except for secured margin loans) that result from transactions within the scope of HKFRS 15. The provision rates are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 41.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Measurement of ECL *(Continued)*

Impairment assessment under ECL for financial assets at amortised cost other than accounts receivable (including debt investments at amortised cost, secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances) and debt investments at fair value through other comprehensive income

The impairment assessment under ECL for financial assets at amortised cost (including debt investments at amortised cost, secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances) and debt investments at fair value through other comprehensive income is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instruments.

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement.

(ii) Forward-looking information

In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of financial assets at amortised cost and debt investments at fair value through other comprehensive income are disclosed in note 41.

Income taxes

Deferred tax asset of HK$131,409,218 (2021: HK$125,596,740) has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$796 million as at 31 December 2022 (2021: HK$761 million) for subsidiaries that are expected to have taxable profits in the future. No deferred tax asset was recognised for the deductible temporary differences of approximately HK$202 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$645 million (2021: estimated unused tax losses of approximately HK$583 million) in respect of subsidiaries where it is not probable that sufficient profits will be generated. Details of the tax losses and the deferred tax are disclosed in note 29.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	2022 HK$	2021 HK$
Commission and fee income		
Brokerage:		
Commission and fee income from securities brokerage	**142,392,737**	191,890,547
Commission and fee income from futures and options brokerage	**14,803,471**	17,326,795
Commission income from insurance brokerage	**603,959**	1,600,925
	157,800,167	210,818,267
Corporate finance:		
Commission income on placing, underwriting and sub-underwriting		
– Debt securities	**33,802,428**	50,776,112
– Equity securities	**3,251,007**	4,618,264
Corporate advisory fee income	**662,500**	2,965,476
Sponsor fee income	**5,650,000**	1,956,376
Arrangement fee income	**2,343,600**	22,304,453
	45,709,535	82,620,681
Asset management:		
Asset management fee income	**17,592,251**	28,489,935
Investment advisory fee income	**2,108,566**	4,611,847
	19,700,817	33,101,782
	223,210,519	326,540,730
Interest revenue		
Financial products and investments:		
Interest income from reverse repurchase agreements	**6,664,845**	10,744,657
Interest income from debt investments at fair value through other comprehensive income	**8,710,680**	–
Interest income from debt investments at amortised cost	**3,919,843**	–
	19,295,368	10,744,657
Margin financing:		
Interest income from margin financing	**30,097,837**	95,611,566
	49,393,205	106,356,223

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue *(Continued)*

	2022 HK$	2021 HK$
Net trading and investment income		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	**277,501,172**	261,610,580
Dividend income from financial assets at fair value through profit or loss	**6,279,937**	8,911,838
Net loss on financial assets at fair value through profit or loss	**(510,821,170)**	(42,023,342)
Interest income from derivatives	**6,164,915**	8,037,051
Net gain on derivatives	**128,976,195**	2,354,872
Net gain/(loss) on financial liabilities at fair value through profit or loss	**41,092,493**	(35,417,243)
Dividend income from equity securities designated at fair value through other comprehensive income	**36,206,922**	–
	(14,599,536)	203,473,756
Total revenue	**258,004,188**	636,370,709

Timing of revenue recognition for commission and fee income from customers

	2022 HK$	2021 HK$
A point in time	**194,888,492**	287,277,964
Over time	**28,322,027**	39,262,766
Total	**223,210,519**	326,540,730

Performance obligations for commission and fee income from customers

(1) Brokerage

The Group provides broking and dealing services for securities, futures and options contracts. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. The Group also provides handling services for securities, futures and options customer accounts. Fee income is recognised when the transaction is executed.

The Group provides custodian services for securities, futures and options customer accounts. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time.

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

(1) Brokerage *(Continued)*

The Group also provides placement services for insurance and wealth products to customers. Commission income is recognised at a point in time when the placement is completed and is calculated at a certain percentage of the premium paid for certain period of the insurance and wealth products.

(2) Corporate finance

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognised when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. Accordingly, the revenue is recognised at a point in time.

The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As there is enforceable right to payment for the Group for the performance of services completed up to date based on the contracts with customers regarding sponsor or corporate advisory services, the revenue is recognised over time.

(3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consume the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Investment advisory fee income is charged at a fixed amount per month for managing the investment portfolio of each client.

The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Transaction price allocated to the remaining performance obligation for contracts with customers

The following table shows the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partly unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognising revenue are as follows:

	2022 **HK$**	2021 HK$
Within one year	**15,600,000**	15,100,000

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

This amount represents revenue expected to be recognised in the future from the contracts for sponsoring services. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

Other Income

	2022 **HK$**	2021 HK$
Interest income from financial institutions	**102,759,275**	28,142,289
Sundry income	**13,734,448**	3,244,065
	116,493,723	31,386,354

6. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The CODM considers the Group's operations are located in Hong Kong.

The Group's reportable and operating segments under HKFRS 8 are as follows:

Brokerage – provision of securities, futures and options and insurance brokerage services;

Margin financing – provision of margin financing services to customers;

Corporate finance – provision of corporate advisory, sponsor, placing and underwriting services of debt and equity securities and structured products arrangement services;

Asset management – provision of fund management, discretionary account management and investment advisory services;

Financial products and investments – proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

Others – other businesses in addition to the above, including head office operations and investment holding platforms, and management of general working capital.

The accounting policies of the operating segments are the same as the Group's accounting policies. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred. During the current year, the Group has regrouped the segment revenue by different nature of revenue consistent with the analysis of revenue presented in note 5 and reallocated them to different segments. Comparative information on segment revenue has been restated to conform to the current year's presentation.

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2022

	Brokerage HK$	Margin financing HK$	Corporate finance HK$	Asset management HK$	Financial products and investments HK$	Others HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result								
Commission and fee income	157,800,167	–	45,709,535	19,700,817	–	–	–	223,210,519
Interest revenue	–	30,097,837	–	–	19,295,368	–	–	49,393,205
Net trading and investment income	–	–	–	–	(14,599,536)	–	–	(14,599,536)
Inter-segment revenue	265,000	–	–	9,127,635	–	–	(9,392,635)	–
Segment revenue	158,065,167	30,097,837	45,709,535	28,828,452	4,695,832	–	(9,392,635)	258,004,188
Revenue presented in the consolidated statement of profit or loss and other comprehensive income								258,004,188
Segment results	13,783,945	(102,102,990)	(3,020,924)	(44,413,111)	(201,288,950)	31,758,519	–	(305,283,511)
Loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income								(305,283,511)
Other segmental information included in the measure of segment results								
Change in impairment losses on financial assets	7,994	82,865,370	–	(682,452)	271,761	–	–	82,462,673
Depreciation	11,993	–	–	–	–	51,404,867	–	51,416,860
Amortisation	2,340,260	–	–	1,422	–	2,207,853	–	4,549,535
Interest income	91,517,209	30,097,837	284,081	36,201	311,838,642	170,545,577	(168,500,980)	435,818,567
Interest expenses	136,635	20,170,706	–	–	190,145,192	140,051,843	(168,500,980)	182,003,396
Dividend income	–	–	–	–	42,486,859	–	–	42,486,859

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2021

	Brokerage HK$	Margin financing HK$	Corporate finance HK$	Asset management HK$	Financial products and investments HK$	Others HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result								
Commission and fee income	210,818,267	–	82,620,681	33,101,782	–	–	–	326,540,730
Interest revenue	–	95,611,566	–	–	10,744,657	–	–	106,356,223
Net trading and investment income	–	–	–	–	203,473,756	–	–	203,473,756
Inter-segment revenue	296,366	–	–	24,014,591	–	–	(24,310,957)	–
Segment revenue	211,114,633	95,611,566	82,620,681	57,116,373	214,218,413	–	(24,310,957)	636,370,709
Revenue presented in the consolidated statement of profit or loss and other comprehensive income								636,370,709
Segment results	84,678,069	(78,928,780)	32,966,676	3,547,564	16,397,839	(9,283,765)	–	49,377,603
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income								49,377,603
Other segmental information included in the measure of segment results								
Change in impairment losses on financial assets	(131,442)	95,940,759	–	(444,217)	128,370	–	–	95,493,470
Depreciation	27,627	–	–	–	–	42,310,606	–	42,338,233
Amortisation	3,122,530	–	–	–	–	2,022,594	–	5,145,124
Interest income	19,356,800	95,611,566	20,199	21,491	289,035,367	162,011,096	(161,910,376)	404,146,143
Interest expenses	298,926	27,447,215	–	–	178,805,629	143,230,504	(161,910,376)	187,871,898
Dividend income	–	–	–	–	8,911,838	–	–	8,911,838

6. SEGMENT REPORTING *(Continued)*

Geographical information

For the years ended 31 December 2022 and 2021, the Group's revenue from external customers are all derived from activities in Hong Kong based on the location of services delivered and the Group's non-current assets excluding financial instruments are all located in Hong Kong by physical location of assets. As a result, no geographical segment information is presented for both years.

Information about major customers

The largest customer and largest 5 customers contribute approximately 15.9% and 26.2% respectively (2021: 4.2% and 16.5% respectively) to the Group's revenue from external customers during the year ended 31 December 2022.

7. FINANCE COSTS

	2022	2021
	HK$	HK$
Interest on bank borrowings	**23,382,592**	41,800,455
Interest on bonds	**48,591,228**	44,344,568
Interest on other borrowings	**–**	5,019,308
Interest on repurchase agreements	**41,326,235**	26,658,711
Interest on secured margin loans from brokers	**56,274**	182,201
Interest on notes	**–**	273,513
Interest on clients' account	**142,408**	153,310
Interest on financial liabilities at fair value through profit or loss	**38,761**	68,585
Interest on lease liabilities	**1,451,946**	2,888,132
Interest on amount due to the immediate holding company	**67,013,952**	66,483,115
	182,003,396	187,871,898

8. COMMISSION AND FEE EXPENSES

	2022	2021
	HK$	HK$
Sales commission paid to account executives	**23,297,441**	15,912,213
Commission and fee paid to brokers	**22,978,874**	22,015,510
Others *(note)*	**16,623,580**	26,608,395
	62,899,895	64,536,118

Note: Amount includes the sub-management fees, custodian fees, scrip fee, clearing fee and other handling fee.

9. (LOSS)/PROFIT BEFORE TAXATION

	2022 HK$	2021 HK$
(Loss)/profit before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments and five highest paid employees' emoluments) *(note a)*	**160,103,290**	159,927,725
Salaries and bonuses	**156,118,656**	156,504,024
Contribution to the MPF Scheme	**3,213,493**	3,103,006
Other staff costs	**771,141**	320,695
Auditor's remuneration	**1,800,000**	1,800,000
Legal and professional fee	**18,721,324**	6,351,578
Amortisation of intangible assets	**4,549,535**	5,145,124
Depreciation of property and equipment	**51,416,860**	42,338,233
Telephone and postage	**4,851,580**	4,364,646
Maintenance fee	**15,086,688**	22,791,461
Transportation expenses	**2,692,075**	4,635,948
Entertainment expenses	**2,062,841**	3,476,112
Impairment losses on financial assets	**82,462,673**	95,493,470
Secured margin loans *(note c)*	**81,936,022**	95,940,759
Accounts receivable (except for secured margin loans)	**246,897**	(528,875)
Reverse repurchase agreements	**(71,904)**	128,370
Bank balances – trust accounts	**7,994**	(46,784)
Debt investments at amortised costs	**99,421**	–
Debt investments at FVTOCI	**244,243**	–
Other gains or losses	**29,294,055**	(75,712,803)
Exchange loss/(gain)	**42,904,871**	(57,073,631)
Other gains *(note b)*	**(13,641,539)**	(18,639,172)
Losses on disposal of property and equipment	**30,723**	–

Notes:

(a) Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance.

(b) Included in other gains is the net gain of consolidated investment funds attributable to third-party unit holders/shareholders of HK$13,641,539 (2021: net gain of HK$18,639,172). See note 47.

(c) According to the assessment of the expected credit loss model, impairment losses on secured margin loans of HK$81,936,022 (2021: HK$95,940,759) were made for the year, including (i) impairment losses recognised of HK$95,555,925 (2021: HK$184,075,525); net of (ii) reversal of impairment losses of HK$13,619,903 (2021: HK$89,920,559); and (iii) impairment losses upon the derecognition of guarantees amounted to nil (2021: HK$1,785,793).

10. TAXATION

	2022 HK$	2021 HK$
Hong Kong Profit Tax:		
Current year	**19,354**	596,000
Under-provision in prior year	**3,973,621**	5,744,606
	3,992,975	6,340,606
Deferred Tax:		
Current year	**(11,874,070)**	2,943,358
	(7,881,095)	9,283,964

The provision for Hong Kong Profits Tax for 2022 is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

The provision for Hong Kong Profits Tax for 2022 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2021-22 subject to a maximum reduction of HK$10,000 for each business (2021: a maximum reduction of HK$10,000 was granted for the year of assessment 2020-21 and was taken into account in calculating the provision for 2021).

The tax (credit)/expense for the years ended 31 December 2022 and 2021 can be reconciled to the (loss)/profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK$	2021 HK$
(Loss)/profit before taxation	**(305,283,511)**	49,377,603
Notional tax on (loss)/profit before taxation, calculated at 16.5% (2021: 16.5%)	**(50,371,779)**	8,147,305
Tax effect of expenses not deductible for tax purpose	**50,989,569**	11,989,385
Tax effect of income not taxable for tax purpose	**(11,095,676)**	(6,497,861)
Tax at concessionary tax rate of 8.25% (2021: 8.25%)	**(38,800)**	(165,000)
Tax effect of deductible temporary difference not previously provided for	**(11,613,510)**	(36,384,430)
Tax effect of tax losses not recognised	**13,268,156**	30,350,589
Utilisation of tax losses previously not recognised	**(2,951,697)**	(2,743,541)
Under-provision in prior years	**3,973,621**	5,744,606
Others	**(40,979)**	(1,157,089)
Tax (credit)/expense for the year	**(7,881,095)**	9,283,964

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the years ended 31 December 2022 and 2021, the emoluments paid or payable by the Group are as follows:

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ *(note b)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2022						
Cai Junzheng *(note a and c)*	–	241,617	–	–	–	241,617
Li Baochen *(note a and c)*	–	2,788,236	–	2,596,740	–	5,384,976
Wang Xiang *(note a and c)*	–	779,164	–	427,500	–	1,206,664
Zeng Yanxia *(note a and c)*	–	1,821,078	–	448,660	–	2,269,738
Zhang Chunjuan *(note a and c)*	–	1,953,078	–	1,772,380	–	3,725,458
Huang Yilin *(note e)*	–	–	–	–	–	–
Hong Ying *(note d)*	272,055	–	–	–	–	272,055
Tian LI *(note d)*	272,055	–	–	–	–	272,055
Qin Shuo *(note d)*	241,993	–	–	–	–	241,993
	786,103	7,583,173	–	5,245,280	–	13,614,556

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ *(note b)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2021						
Li Baochen *(note a and c)*	–	2,921,447	–	3,044,800	–	5,966,247
Wang Xiang *(note a and c)*	–	2,073,857	–	279,330	–	2,353,187
Zeng Yanxia *(note a and c)*	–	1,833,857	–	269,870	–	2,103,727
Zhang Chunjuan *(note a and c)*	–	1,965,857	–	2,193,500	–	4,159,357
Huang Yilin *(note e)*	–	–	–	–	–	–
Hong Ying *(note d)*	250,000	–	–	–	–	250,000
Tian LI *(note d)*	250,000	–	–	–	–	250,000
Qin Shuo *(note d)*	220,000	–	–	–	–	220,000
	720,000	8,795,018	–	5,787,500	–	15,302,518

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) No retirement benefit schemes contributions was paid or payable by the Group to Mr. Cai Junzheng, Mr. Li Baochen, Mr. Wang Xiang, Ms. Zeng Yanxia and Ms. Zhang Chunjuan during the years ended 31 December 2022 and 2021.

(b) The discretionary bonus of directors or chief executive of the Company was determined by the management of the ultimate and intermediate holding companies and by reference to the Group's financial performance and the directors' and the chief executive's duties, responsibilities and individual performance within the Group.

(c) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(d) The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

(e) The remuneration of Mr. Huang Yilin for the years ended 31 December 2022 and 2021 was borne by the ultimate holding company and there is no basis of allocation of their remuneration between the ultimate holding company and the Group. Mr. Huang Yilin resigned during the year ended 31 December 2022.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group included two directors of the Company for the year ended 31 December 2022 (2021: Two) and details of whose emoluments are included in the disclosure above. The emoluments of the remaining three individuals for the year ended 31 December 2022 (2021: Three) are as below:

	2022 **HK$**	2021 HK$
Employees		
– salaries and allowances	**7,689,000**	7,697,000
– discretionary bonuses	**7,429,870**	9,106,400
– retirement benefit schemes contributions	**54,000**	54,000
	15,172,870	16,857,400

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of employees 2022	2021
HK$4,500,001 to HK$5,000,000	**2**	–
HK$5,000,001 to HK$5,500,000	**1**	1
HK$5,500,001 to HK$6,000,000	**–**	2
HK$6,500,001 to HK$7,000,000	**–**	–
	3	3

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). None of the directors waived any emoluments during both years.

12. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2022 HK$	2021 HK$
2021 Final – HK$Nil (2021: 2020 Final – HK$Nil) per share	**–**	–

Subsequent to the end of the reporting period, the directors of the Company did not recommend any payment of final dividend in respect of the year ended 31 December 2022 (2021: did not recommend any payment of final dividend in respect of the year ended 31 December 2021).

13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to ordinary equity holders of the Company is based on the following data:

	2022 HK$	2021 HK$
(Loss)/earnings (HK$)		
(Loss)/earnings for the purpose of basic (loss)/earnings per share:		
(Loss)/profit for the year attributable to ordinary equity holders of the Company	**(297,402,416)**	40,093,639
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**4,000,000,000**	4,000,000,000

For each of the years ended 31 December 2022 and 2021, there were no potential ordinary shares in issue, thus no diluted (loss)/earnings per share is presented.

14. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement	Furniture and fixtures	Computer equipment	Other properties leased for own use carried at cost	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1 January 2021	35,081,334	1,844,561	32,958,539	151,373,868	221,258,302
Additions	17,605,321	788,641	2,870,077	–	21,264,039
At 31 December 2021	52,686,655	2,633,202	35,828,616	151,373,868	242,522,341
Additions	1,938,951	18,590	6,950,533	–	8,908,074
Disposals	–	–	(759,299)	–	(759,299)
At 31 December 2022	54,625,606	2,651,792	42,019,850	151,373,868	250,671,116
Depreciation					
At 1 January 2021	(31,932,666)	(1,058,633)	(26,229,136)	(64,961,291)	(124,181,726)
Charge for the year	(3,752,332)	(351,183)	(2,687,885)	(35,546,833)	(42,338,233)
At 31 December 2021	(35,684,998)	(1,409,816)	(28,917,021)	(100,508,124)	(166,519,959)
Charge for the year	(11,737,301)	(391,466)	(3,741,260)	(35,546,833)	(51,416,860)
Disposals	–	–	728,576	–	728,576
At 31 December 2022	(47,422,299)	(1,801,282)	(31,929,705)	(136,054,957)	(217,208,243)
Carrying values					
At 31 December 2022	7,203,307	850,510	10,090,145	15,318,911	33,462,873
At 31 December 2021	17,001,657	1,223,386	6,911,595	50,865,744	76,002,382

14. PROPERTY AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2022 HK$	31 December 2021 HK$
Other properties leased for own use, carried at depreciated cost	**15,318,911**	50,865,744

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 HK$	2021 HK$
Depreciation charge of right-of-use assets	**35,546,833**	35,546,833
Interest on lease liabilities *(note 7)*	**1,451,946**	2,888,132

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 24(a) and 33, respectively.

The lease typically runs for 2-3 years.

15. INTANGIBLE ASSETS

	Software	Trading rights	Total
	HK$	HK$	HK$
Cost:			
At 1 January 2021	19,889,935	1,000,000	20,889,935
Additions	1,079,183	–	1,079,183
At 31 December 2021	20,969,118	1,000,000	21,969,118
Additions	8,616,974	–	8,616,974
At 31 December 2022	29,586,092	1,000,000	30,586,092
Amortisation			
At 1 January 2021	(9,165,104)	–	(9,165,104)
Charge for the year	(5,145,124)	–	(5,145,124)
At 31 December 2021	(14,310,228)	–	(14,310,228)
Charge for the year	(4,549,535)	–	(4,549,535)
At 31 December 2022	(18,859,763)	–	(18,859,763)
Carrying values			
At 31 December 2022	10,726,329	1,000,000	11,726,329
At 31 December 2021	6,658,890	1,000,000	7,658,890

Intangible assets include trading rights in the Stock Exchange and the Hong Kong Futures Exchange Limited with indefinite useful life and the using rights of software with finite life.

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

16. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture are as follows:

	2022 HK$	2021 HK$
Cost of investment in a joint venture	–	40,032,960
Share of post-acquisition loss	–	(23,907,029)
	–	16,125,931

Details of the Group's joint venture as at 31 December 2021 are as follows:

Name of entity	**Country of incorporation/ registration**	**Principal place of business**	**Proportion of ownership interest held by the Group 2021**	**Proportion of voting rights held by the Group 2021**	**Principal activity**
IS Investment Fund Segregated Portfolio Company – CIS New China Ever-Growing Fund Segregated Portfolio ("CISNCEF") *(note)*	Cayman Islands	Hong Kong	66.95%	50%	Investment trading

Note: As at 31 December 2021, the Group held the interest of participating shares of CISNCEF as disclosed above such that the participating shares provide the Group with the share of returns from CISNCEF. As at 31 December 2021, the Group and an independent third party acted as co-investment manager of CISNCEF. Both parties jointly established an investment committee which comprises four members, with two from the Group and two from the independent third party. The investment committee was empowered to make all the key financing and operating decisions in CISNCEF and required unanimous consent of all investment committee members. The arrangement of co-management was contractually agreed by both parties. As such, the interest of the Group in CISNCEF was classified as a joint venture as at 31 December 2021.

On 16 November 2021, the other co-investment manager filed a notice to the Group to resign as the co-investment manager of CISNCEF with effective from 1 January 2022 (the "Effective Date"). As at the Effective Date, the proportion of voting rights held by the Group increased to 100% (2021:50%) such that the Group has full and absolute discretionary power in making all the key financing and operating decisions in CISNCEF. The Group considered that it had control over CISNCEF since the Effective Date. Therefore, CISNCEF ceased to be a joint venture of the Group and has become a subsidiary (a consolidated structured entity) of the Group.

16. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a joint venture

Summarised financial information of CISNCEF, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements as at 31 December 2021 are disclosed below:

	2021 HK$
Current assets	26,186,943
Current liabilities	(2,099,439)
Net current assets and net assets	24,087,504
Included in the above assets and liabilities	
Cash and cash equivalents	1,514,669

	For the year ended 31 December 2021 HK$
Investment losses	(29,964,280)
Included in the above loss:	
Interest income	14

Reconciliation of the above summarised financial information to the carrying amount of the interest in CISNCEF recognised in the consolidated financial statements:

	2021 HK$
Net assets of CISNCEF	24,087,504
Proportion of the Group's ownership interest in CISNCEF	66.95%
	16,125,931

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$	2021 HK$
Equity securities		
– Listed in Hong Kong	**69,167,656**	145,926,586
– Listed outside Hong Kong	**79,573,379**	100,116,954
– Unlisted *(note a)*	**–**	25,398,354
Debt securities *(note b)*		
– Listed in Hong Kong	**1,211,859,039**	2,826,566,690
– Listed outside Hong Kong	**303,677,030**	594,941,990
– Unlisted	**1,074,514,177**	1,015,414,392
Funds		
– Unlisted	**104,591,207**	200,507,796
	2,843,382,488	4,908,872,762
Analysed as		
Current	**2,818,655,977**	4,892,256,938
Non-current *(note c)*	**24,726,511**	16,615,824
	2,843,382,488	4,908,872,762

Notes:

(a) For the years ended 31 December 2022 and 2021, the Group invested in an unlisted equity investment of which the principal business was in the telecommunication industry.

(b) Included in the portfolio of held for trading debt securities, there were arrangements to sell debt securities under a repurchase agreement during the year ended 31 December 2022 and 2021. Details of the arrangement are set out in notes 30 and 39.

(c) For the years ended 31 December 2022 and 2021, included in the non-current portion is an unlisted investment fund that the directors of the Group do not expect to realise within twelve months after the reporting period.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$	2021 HK$
Equity securities designated at FVTOCI *(note)*		
– Listed in Hong Kong	**1,327,673,412**	–
– Listed outside Hong Kong	**338,116,526**	–
– Unlisted	**70,099,153**	–
Debt securities		
– Listed in Hong Kong	**328,628,528**	–
– Listed outside Hong Kong	**86,577,179**	–
– Unlisted	**23,595,276**	–
	2,174,690,074	–
Analysed as		
Current	**2,174,690,074**	–
Non-current	**–**	–
	2,174,690,074	–

Note: The Group has designated the above equity securities at fair value through other comprehensive income ("FVTOCI") as these equity investments are not held for trading purpose.

19. DEBT INVESTMENTS AT AMORTISED COST

	2022 HK$	2021 HK$
Debt securities		
– Listed in Hong Kong	**215,053,375**	–
Less: impairment allowance	**(99,421)**	–
	214,953,954	–
Analysed as		
Current	**–**	–
Non-current	**214,953,954**	–
	214,953,954	–

20. REVERSE REPURCHASE AGREEMENTS

	2022 HK$	2021 HK$
Analysed by collateral type:		
Debt securities		
– Unlisted	–	120,767,482
Unlisted equity securities	**93,215,541**	90,320,955
Less: impairment allowance	**(268,374)**	(340,278)
	92,947,167	210,748,159
Analysed as:		
Current	–	120,712,083
Non-current	**92,947,167**	90,036,076
	92,947,167	210,748,159

The reverse repurchase agreements are those repurchase agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises these as collateralised lending asset for the price paid to purchase the assets.

As at 31 December 2022, the fair value of the collaterals were HK$251,872,170 (2021: HK$447,905,038).

21. STATUTORY DEPOSITS

Statutory deposits represent deposits with clearing houses. They are non-interest bearing.

Non-current portion

In accordance with the rules of Central Clearing and Settlement System ("CCASS"), admission fee, basic contribution and dynamic contribution to the guarantee fund of a defaulting clearing participant will be used to offset its indebtedness arising in the course of dealing in securities as disclosed in note 42 in accordance with the rules of CCASS.

Under the arrangement with HKFE Clearing Corporation Limited ("HKCC"), the statutory deposit could be used to set off against accounts payable to HKCC.

The directors of the Company do not expect to realise the amounts within twelve months after the reporting period.

Current portion

In accordance with the rules of CCASS, the Group is required to provide to Hong Kong Securities Clearing Company Limited (the "HKSCC") deposits from time to time as determined by HKSCC, as the Group has become a China Connect Clearing Participant under the rules of CCASS since year 2014. Amounts will be used to offset the Group's indebtedness arising in the course of dealing in securities as disclosed in note 42 in accordance with the rules of CCASS.

22. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2022 HK$	2021 HK$
Deposits *(note)*	**152,022,331**	130,773,878
Other receivables	**27,981,161**	17,899,486
Prepayments	**4,162,851**	5,275,973
	184,166,343	153,949,337
Analysed as:		
Current	**169,308,298**	139,002,439
Non-current	**14,858,045**	14,946,898
	184,166,343	153,949,337

Note: As at 31 December 2022 and 2021, the amount mainly comprises of cash collaterals posted to banks and other financial institutions for total return swaps, sales and repurchase agreements and credit derivatives transaction.

23. ACCOUNTS RECEIVABLE

	2022 HK$	2021 HK$
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	**1,448,473,422**	1,641,156,797
Less: impairment allowance	**(916,853,993)**	(835,067,558)
	531,619,429	806,089,239
Clearing houses	**213,420,226**	199,656,455
Cash clients	**61,431,806**	109,270,792
Brokers	**79,431,836**	32,704,349
Less: impairment allowance	**(1,261,939)**	(332,591)
	353,021,929	341,299,005
	884,641,358	1,147,388,244
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	**61,254,257**	28,718,585
Brokers	**122,845,799**	154,488,402
	184,100,056	183,206,987
Accounts receivable arising from the business of corporate finance	**4,101,017**	6,930,769
Accounts receivable arising from the business of asset management	**10,443,983**	17,902,189
Less: impairment allowance	**(606,643)**	(1,493,961)
	9,837,340	16,408,228
Accounts receivable arising from the business of financial products and investments:		
Brokers	**84,776,847**	164,550,766
	1,167,456,618	1,518,484,994

23. ACCOUNTS RECEIVABLE *(Continued)*

Secured margin loans

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables, and rigorously monitors credit risks. To minimise exposure to credit risk, the Group evaluates customers' credit rating, financial background and repayment abilities. Management of the Group has set up credit limit for each individual customer, the application for which shall be subject to the Group's authorisation mechanism and submitted to the internal control department and senior management for approval. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group and other factors.

As at 31 December 2022 and 2021, the loans are repayable on demand subsequent to settlement date and are analysed as follows:

	2022 HK$	2021 HK$
Non credit-impaired secured margin loans		
– Gross amount	**379,592,090**	544,283,253
– Carrying amount	**376,021,091**	538,852,654
Credit-impaired secured margin loans		
– Gross amount	**1,068,881,332**	1,096,873,544
– Carrying amount	**155,598,338**	267,236,585
Market value of securities pledged in respect of all margin loans	**2,188,840,000**	3,160,583,000

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the margin value of securities deposited.

The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. The Group had obtained margin clients' consent to pledge their securities collateral to secure banking facilities granted to the Group to finance the margin loan. As at 31 December 2022 and 2021, no bank borrowings were secured by charges over client's pledged securities.

During the years ended 31 December 2022 and 2021, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

23. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans)

Except for secured margin loans, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The normal settlement terms of accounts receivable arising from the business of dealing in futures and options contracts are one day after trade date.

In respect of accounts receivable arising from the business of dealing in future and options contracts, under the settlement arrangement with HKCC (the clearing house), all open positions held at HKCC are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivable with HKCC. In accordance with the agreement with the brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Normal settlement terms of accounts receivable arising from the business corporate finance and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided.

Normal settlement terms of accounts receivable arising from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date.

The following is an aging analysis of gross accounts receivable arising from the business of corporate finance and asset management based on date of invoice at the reporting date:

Corporate finance clients

	2022 **HK$**	2021 HK$
Less than 31 days	**390,636**	3,427,483
31 – 60 days	**233,120**	2,788,715
61 – 90 days	**–**	313,985
91 – 180 days	**1,559,134**	400,586
Over 180 days	**1,918,127**	–
	4,101,017	6,930,769

23. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans) *(Continued)*

Asset management clients

	2022 HK$	2021 HK$
Less than 31 days	**1,538,636**	4,183,563
31 – 60 days	**1,217,741**	2,206,800
61 – 90 days	**1,168,779**	2,257,808
91 – 180 days	**1,815,548**	2,546,737
Over 180 days	**4,703,279**	6,707,281
	10,443,983	17,902,189

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 42.

24. BANK BALANCES – TRUST ACCOUNTS/GENERAL ACCOUNTS AND CASH

The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

The general accounts held by the Group comprise current and saving deposits held by the Group at prevailing market interest rate and bank deposits bearing interest at commercial rate with original maturity of three months or less.

(a) Total cash outflow for leases

	2022 HK$	2021 HK$
Within operating cash flows	**–**	–
Within investing cash flows	**–**	–
Within financing cash flows	**38,139,294**	38,139,295

These amounts relate to lease rentals paid.

25. AMOUNT DUE TO RELATED PARTIES

The Group had the following balance with related parties at the end of each reporting period:

	2022 HK$	2021 HK$
Amount due to the immediate holding company *(note a)*	–	2,300,852,500
Amount due to Industrial Securities (Shenzhen) *(note b)*	1,316,280	4,560,326
	1,316,280	2,305,412,826
Analysed as:		
Current	1,316,280	2,305,412,826
Non-current	–	–
	1,316,280	2,305,412,826

Notes:

(a) Amount due to Industrial Securities (Hong Kong) Financial Holdings Limited, the immediate holding company, represents an intercompany loan which is unsecured, repayable in 2022 and interest-bearing at a fixed rate. The loan has been repaid in the current year.

(b) Amount due to Industrial Securities Consultancy Service (Shenzhen) Company Limited ("Industrial Securities (Shenzhen)"), a fellow subsidiary, was mainly arising from the consultancy services provided by Industrial Securities (Shenzhen), which is unsecured, non-interest bearing and repayable on demand.

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$	2021 HK$
Held for trading		
Short position in listed debt securities	20,479,079	–
Short position in listed equity securities	–	11,010,000
Credit derivatives *(note a)*	–	1,066,372
	20,479,079	12,076,372
Designated at fair value through profit or loss		
Unlisted issued structured products *(note b)*	30,447,343	53,319,705
	50,926,422	65,396,077
Analysed as:		
Current	50,926,422	65,396,077
Non-current	–	–
	50,926,422	65,396,077

26. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) For the year ended 31 December 2021, the Group held one credit derivative contract with a non-bank financial institution at a notional amount of USD130,000,000 of which the reference entity was within the banking sector in Hong Kong.

(b) As at 31 December 2022 and 2021, included in financial liabilities designated at FVTPL are the structured notes issued with the underlying investments relating to unlisted investment fund.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets at FVTPL. These structured products are designated at FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

The amount of change in fair values of the financial liabilities designated at FVTPL, during the year and cumulatively, attributable to changes in own credit risk was insignificant.

27. ACCOUNTS PAYABLE

	2022 HK$	2021 HK$
Accounts payable arising from the business of dealing in securities:		
Clearing house	**–**	26,217,445
Brokers	**8,895,331**	6,534,819
Clients	**2,809,820,292**	4,340,712,723
	2,818,715,623	4,373,464,987
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	**331,791,184**	408,089,583
Accounts payable arising from the business of financial products and investments:		
Brokers	**–**	4,624,402
	3,150,506,807	4,786,178,972

27. ACCOUNTS PAYABLE *(Continued)*

In respect of accounts payable arising from the business of dealing in securities, accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally two trading days after the trade date or at specific terms agreed with clearing house. The majority of the accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral stipulated are repayable on demand.

Accounts payable to brokerage clients (except certain balances arising from trades pending settlement) mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

In respect of accounts payable arising from the business of dealing in futures and options contracts, settlement arrangements with clients follow the same settlement mechanism with HKCC or brokers as disclosed in note 21 and profits or losses arising from mark-to-market settlement arrangement are included in accounts payables with clients. Accounts payable to clients arising from the business of dealing in futures and option contract are non-interest bearing.

The normal settlement terms of accounts payable arising from the business of dealing in securities for cash clients are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. 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 the business.

In respect of accounts payable arising from the business of financial products and investments, accounts payable to brokers represent trades pending settlement which are normally determined in accordance with the agreed terms and which are normally two to five days after the trade date.

The Group has accounts payable arising from the business of dealing in securities of HK$77,557,769 due to the immediate holding company as at 31 December 2022 (2021: HK$78,718,717).

28. ACCRUALS AND OTHER PAYABLES

	2022 HK$	2021 HK$
Accrued charges *(note)*	**30,491,392**	73,833,548
Other payables	**1,543,136**	27,839,434
	32,034,528	101,672,982

Note: The amount mainly comprises of the accrued operating expenses including staff salary and bonus and also commission to accounts executives.

29. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022	2021
	HK$	HK$
Deferred tax assets	**133,464,944**	121,593,827
Deferred tax liabilities	**(15,814)**	(18,767)
	133,449,130	121,575,060

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2022 and 2021:

	Changes in fair value of financial instruments	**Tax loss**	**ECL provision**	**Accelerated tax depreciation**	**Bonus provision**	**Total**
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2021	–	124,000,338	1,469,301	(951,221)	–	124,518,418
(Charge)/credit to profit or loss *(note 10)*	(9,388,066)	1,596,402	(500,983)	1,882,463	3,466,826	(2,943,358)
At 31 December 2021	(9,388,066)	125,596,740	968,318	931,242	3,466,826	121,575,060
Credit/(charge) credit to profit or loss *(note 10)*	9,388,066	5,812,478	(230,935)	371,287	(3,466,826)	11,874,070
At 31 December 2022	–	131,409,218	737,383	1,302,529	–	133,449,130

Deferred tax asset has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$796 million as at 31 December 2022 (2021: HK$761 million).

No deferred tax has been recognised in the consolidated statement of financial position in relation to the deductible temporary differences of approximately HK$202 million arising from the changes in fair value of financial instruments and estimated unused tax losses of approximately HK$645 million (2021: estimated unused tax losses of approximately HK$583 million) as it is uncertain whether future taxable profits will be available.

30. REPURCHASE AGREEMENTS

	2022 HK$	2021 HK$
Analysed as:		
Current	**1,958,527,621**	1,970,119,726
Non-current	**–**	–
	1,958,527,621	1,970,119,726

As at 31 December 2022, financial assets at FVTPL of HK$560,206,365 (2021: HK$3,354,003,506), financial assets at FVTOCI of HK$1,709,278,919 and financial assets at amortised cost of HK$206,211,372 were sold under repurchase agreements with other financial institutions which the Group simultaneously agreed to repurchase these debt securities at the agreed date and price. Details of the arrangement are set out in note 39. The Group's repurchase agreements as at 31 December 2022 are at fixed interest rate of 1.8% to 4.95% per annum (2021: -0.75% to 0.65% per annum), repayable within 1 year (2021: 1 year).

31. BANK BORROWINGS

	2022 HK$	2021 HK$
Variable rate borrowings	**1,000,907,152**	530,146,916
Repayable within one year and contain a repayable on demand clause	**1,000,907,152**	530,146,916
Repayable within a period of more than one year but not exceeding two years	**–**	–
	1,000,907,152	530,146,916

The bank borrowings consist of loans borrowed by the Group from banks to facilitate investment and general working capital.

The interest rate of the Group's bank borrowings as at 31 December 2022 ranged from Hong Kong Interbank Offered Rate ("HIBOR") +0.8% to HIBOR+1.2% (2021: HIBOR+1.75% to HIBOR+2.4%).

At 31 December 2022, HK$1,000,000,000 (net of bank charge) (2021: HK$530,000,000) had been drawn under the aggregated banking facilities of HK$8,316,000,000 (2021: HK$7,415,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK$3,387,000,000 as at 31 December 2022 (2021: HK$3,700,000,000). Out of which HK$1,000,000,000 have been drawn as at 31 December 2022 (2021: HK$530,000,000).

No bank borrowings were secured by charges over clients' pledged securities as at 31 December 2022 and 2021.

32. BONDS

During the year ended 31 December 2021, the Company issued US$300,000,000 corporate bonds with fixed interest rate of 2% per annum with a three year maturity (the "Corporate Bonds") which is guaranteed by the Company's controlling shareholder.

During the year ended 31 December 2022, the Company repurchased the Corporate Bonds with an aggregate principal amount of US$35,000,000 in the open market. Such repurchased Corporate Bonds were cancelled subsequently in accordance with their respective terms and conditions. The remaining principal amount of US$265,000,000 of the Corporate Bonds will mature in February 2024.

33. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2022		31 December 2021	
	Present value of the minimum lease payment HK$	**Total minimum lease payment HK$**	Present value of the minimum lease payment HK$	Total minimum lease payment HK$
Within 1 year	**16,305,095**	**16,500,345**	37,325,638	38,139,294
After 1 but within 3 years	**–**	**–**	15,666,805	16,500,345
	16,305,095	**16,500,345**	52,992,443	54,639,639
Less: finance cost		**(195,250)**		(1,647,196)
Present value lease obligation		**16,305,095**		52,992,443

34. SHARE CAPITAL

Details of the movement of share capital for both years are as follows:

	Number of ordinary shares of HK$0.10 each	**Share capital** HK$
Authorised:		
As at 1 January 2021, 31 December 2021 and 31 December 2022	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2021, 31 December 2021 and 31 December 2022	4,000,000,000	400,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

35. CAPITAL RESERVE

As at 31 December 2022 and 2021, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK$0.1 each issued by the Company and the consideration for the acquisition of the combined businesses pursuant to the Group reorganisation (as more fully explained in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the prospectus of the Company dated 30 September 2016 (the "Prospectus")).

36. OTHER EQUITY INSTRUMENTS

On 16 June 2021, the Company issued subordinated perpetual securities (the "Perpetual Securities") of HK$1,000,000,000 to its controlling shareholder, Industrial Securities (Hong Kong) Financial Holdings Limited with an initial distribution rate of 1.58% per annum. There is no maturity date for the Perpetual Securities. The Company has the sole and absolute discretion to defer any distributions. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position.

37. COMMITMENTS

Investment commitments

In the normal course of business, the Group had no investment commitments contracted as at 31 December 2022 (2021: Nil).

38. EMPLOYEE BENEFITS

Retirement Benefits Schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates (up to HK$1,500 per employee per month) specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid to the schemes by the Group are disclosed in note 9.

39. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of securities with concurrent total return swaps and sales and repurchase agreements.

Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security investment and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those security investments sold. These security investments are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these security investments. The proceeds received on the transfer are recognised as liabilities under "repurchase agreements".

The following table sets out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	As at 31 December 2022				
Analysed by liabilities type	**Carrying amount of transferred assets**			**Carrying amount of associated liabilities**	**Net position**
	Deposits – collateral paid HK$	**Financial assets HK$**	**Total HK$**	**HK$**	**HK$**
Repurchase agreements *(note 30)*	**54,818,461**	**2,475,696,656**	**2,530,515,117**	**1,958,527,621**	**571,987,496**

	As at 31 December 2021				
Analysed by liabilities type	Carrying amount of transferred assets			Carrying amount of associated liabilities	Net position
	Deposits – collateral paid HK$	Financial assets HK$	Total HK$	HK$	HK$
Repurchase agreements *(note 30)*	33,464,261	3,354,003,506	3,387,467,767	1,970,119,726	1,417,348,041

40. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of amount due to the immediate holding company, bank borrowings and bonds as disclosed in notes 25, 31 and 32, and equity attributable to owners of the Company (comprising issued share capital, other equity instruments, reserves and retained earnings) as follows:

	2022 HK$	2021 HK$
Amount due to the immediate holding company	**–**	2,300,852,500
Bank borrowings	**1,000,907,152**	530,146,916
Bonds	**2,079,992,337**	2,352,317,863
Equity attributable to holders of the ordinary shares	**2,994,877,702**	3,387,197,972
Equity attributable to holders of other equity instruments	**1,000,000,000**	1,000,000,000
	7,075,777,191	9,570,515,251

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new share issues or bank borrowings. The Group's overall strategy remains unchanged throughout the years.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Regulated Subsidiaries has no non-compliance of capital requirements imposed by the SF(FR)R throughout both years.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$	2021 HK$
Financial assets		
Financial assets at amortised cost	**7,267,584,852**	11,654,808,496
Financial assets at fair value through profit or loss	**2,843,382,488**	4,908,872,762
Financial assets at fair value through other comprehensive income	**2,174,690,074**	–
Financial liabilities		
Financial liabilities at fair value through profit or loss	**231,646,631**	303,442,741
Financial liabilities at amortised cost	**8,209,098,428**	12,025,008,180

Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, financial assets at FVTPL, financial assets at FVTOCI, debt investments at amortised cost, reverse repurchase agreements, accounts receivable, deposits and other receivables, bank balances and cash, accounts payable, repurchase agreements, bank borrowings, bonds, other liabilities, other payables and amount due to a fellow subsidiary and the immediate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with those financial instruments and the policies on how to mitigate these risks are set out below.

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks that the Group is exposed to in its daily operating activities mainly include market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose it primarily to the market risk of changes in interest rates, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate security investments classified as financial assets at FVTPL and FVTOCI. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, secured margin loans and bank borrowings carrying interests at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from the Group's respective HKD and USD denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 basis points ("bps") increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Interest bearing bank deposit is not included in the sensitivity analysis of 2021 for the decrease of interest rate as the bank deposit rate of 2021 is at a low level and management of the Group considers such downward adjustment is unlikely. A positive number below indicates an increase in profit after taxation of the Group or vice versa.

	2022 **HK$**	2021 HK$
Profit after taxation for the year		
Increase by 50 bps	**13,512,210**	14,612,458
Decrease by 50 bps	**(13,512,210)**	25,998,165

	2022 **HK$**	2021 HK$
Other comprehensive income for the year		
Increase by 50 bps	**(28,769,248)**	–
Decrease by 50 bps	**28,769,248**	–

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as at the year end and exposure does not reflect the exposure during the year.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

The Group undertakes certain transactions denominated in currencies other than its functional currencies, hence they are exposed to exchange rate fluctuation. The Group mitigates currency risk using cross-currency forward contracts to hedge movements in exchange rates where necessary.

The major foreign currency exposure of the Group in HKD equivalent is presented below:

	Assets		Liabilities	
	2022 HK$	2021 HK$	**2022 HK$**	2021 HK$
United States dollars ("USD")	**6,683,763,854**	7,469,337,844	**4,908,937,988**	7,708,121,251
Renminbi ("RMB")	**771,491,079**	1,251,535,262	**312,996,367**	614,298,083

Foreign currency sensitivity

The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD. The following table details the Group's sensitivity to a 5% strengthening in RMB against HKD, translated at year-end date. 5% sensitivity rate represents management's assessment of a reasonably possible change in foreign exchange rates. For a 5% weakening in RMB against HKD, there would be an equal and opposite impact on the profit after taxation for the year.

	RMB impact	
	2022 HK$	2021 HK$
Increase in profit after taxation for the year	**22,925,000**	26,605,000

Other price risk

The Group is exposed to price changes arising from investments classified as financial assets at FVTPL and FVTOCI.

The Group has established a multi-level management system for its financial products and investments business. The Board has set up the Investment Decision Committee for the purposes of formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment managers in investment activities. The risk control team is responsible for monitoring the daily operations of its financial products and investments activities and to ensure compliance with its trading policies.

In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Compliance Department and the Internal Audit Department. The Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

The following table summarises the impact on changes in prices/unit prices of financial assets at FVTPL, financial assets at FVTOCI, financial liabilities at FVTPL and other liabilities on the Group's profit after tax and other components of equity for the year:

2022

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for foreign currency forward contracts and credit derivative)			
Listed equity securities and debt securities	1,647,608,794	82,380,440	(82,380,440)
Unlisted equity securities, debt securities and investment funds	1,049,260,417	52,463,021	(52,463,021)
Financial liabilities at fair value through profit or loss (except for foreign currency exchange contracts and credit derivative)			
Unlisted structured financial products	30,447,343	(1,522,367)	1,522,367
Debt securities	20,479,079	(1,023,954)	1,023,954
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)	146,377,072	(7,318,854)	7,318,854
		124,978,286	(124,978,286)

	Exposure	Impact on a 5% increases in price on other components of equity for the year	Impact on a 5% decreases in price on other components of eauity for the year
Financial assets at fair value through other comprehensive income			
Listed equity securities and debt securities	2,055,055,562	102,752,778	(102,752,778)
Unlisted equity securities and debt securities	93,259,695	4,662,985	(4,662,985)
		107,415,763	(107,415,763)

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

2021

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for foreign currency forward contracts and credit derivative)			
Listed equity securities and debt securities	3,649,061,653	182,453,083	(182,453,083)
Unlisted equity securities, debt securities, investment funds and convertible bonds	1,225,972,116	61,298,606	(61,298,606)
Financial liabilities at fair value through profit or loss (except for foreign currency exchange contracts and credit derivative)			
Unlisted structured financial products	53,319,705	(2,665,985)	2,665,985
Short position	11,010,000	(550,500)	550,500
Other liabilities (third parties unit holders/shareholders of consolidated investment funds)	317,275,030	(15,863,751)	15,863,751
		224,671,453	(224,671,453)

The fair value of derivative financial instruments depends on the credit spread of reference entities. If the credit spread increased/decreased by 1 bps, profit after tax for the year ended 31 December 2021 would have an estimated HK$191,088 decrease/increase.

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Other than the debt securities in the PRC and overseas, the Group's concentration of credit risk by geographical location is mainly in Hong Kong.

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position during the year. In addition, there was a maximum exposure of approximately HK$1,091,930,000 as at 31 December 2021 as the Group issued protection under certain credit instruments.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors consider that financial assets at FVTPL, financial assets at FVTOCI, debt investments at amortised cost, reverse repurchase agreements, accounts receivable, other receivables and bank balances represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model. In this regard, the directors of the Company consider that the Group's credit risk is sufficiently managed.

The credit risk on bank balances is limited because the counterparties are with high credit ratings assigned by well-known credit-rating agencies.

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As described in more details in note 23, the credit risk on accounts receivable is managed through daily monitoring of the outstanding exposures from individual clients, margin values and realisable values of individual client's securities. The Group has concentration of credit risk to ten largest securities margin clients' exposure representing 68% (2021: 53%) of the total loans to margin clients as at 31 December 2022. The balances due from the ten largest securities margin clients were approximately HK$359,729,000 (2021: HK$426,081,000), of which the amount is secured by clients' securities with an aggregate fair value of HK$1,438,169,000 (2021: HK$1,505,733,000). Apart from the exposures to ten largest margin clients' exposure mentioned above, the directors of the Company consider that the concentration of credit risk is limited due to the customer base being large and unrelated.

The credit risk for accounts receivable from clearing houses and brokers is considered as not material taking into account the good market reputations and high credit ratings of the counterparties.

The Group also invested in debt securities and other financial products which exposed it to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and other financial products to ensure that the concentration risk is at an acceptable level. The directors of the Company consider that the credit risk relating to the debt securities and other financial products is closely monitored.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table details the aggregate investment grade of debt securities, held by the Group, as rated by well-known rating agencies.

	As at 31 December 2022	As at 31 December 2021
Portfolio by issuer rating		
Debt securities		
AAA to A-	**23.6%**	18.9%
BBB+ to BBB-	**13.1%**	17.1%
BB+ and below	**0.2%**	3.6%
Non-rated *(note)*	**63.1%**	60.4%
	100%	100%

Note: Non-rated financial assets mainly represent debts instruments issued by special purpose entities, banks and other financial institutions and large corporations in the industries of industrial and construction, real estate, chemicals, metals and mining, transportation, and trade and retail.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment policies

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The risk management department is responsible for developing and maintaining the processes for measuring ECL, the impairment requirements under HKFRS 9. The ECL are assessed by the Group on quarterly basis. The Group applies simplified approach to measure ECL on accounts receivable (except for secured margin loans); and general approach to measure ECL on secured margin loans and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The measurement of ECL adopted by the management involves judgements, assumptions and estimations as follows:

- Determination of the criteria for significant increase in credit risk;
- Selection of the appropriate models and assumptions;
- Establishment of relative probability weightings for forward-looking scenarios.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Measurement of ECL

The ECL are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

PD represents an estimate of the likelihood of default of a borrower on its financial obligation over a given horizon, i.e. over the next 12 months or over the remaining lifetime. For secured margin loans, the Group determines PD by using historical default rate. For other financial assets at amortised cost and FVTOCI, the external credit ratings and related PD are taken into consideration.

LGD represents an estimate of the loss on default. For secured margin loans, LGD is determined based on factors including the realisation value of collateral and historical loss rate. For other financial assets at amortised cost and FVTOCI, LGD is determined based on assessed publicly available information from credit-rating agencies.

EAD represents the amounts expected to be owed at the time of default over the next 12 months or over the remaining lifetime taking into account expected changes in the exposure after the reporting date.

For financial instruments that are credit-impaired, the Group may also consider any other factors such as remedies available for recovery and the financial situation of the borrower.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment, including forward-looking information. For secured margin loans, the number of days past due and loan-to-collateral value ("LTV") are used to determine significant increase in credit risk. For other financial assets, the number of days past due is used as determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Forward looking information

The estimation of credit loss under all stages is taking into consideration of forward looking information. The Group identifies the key economic driver impacting credit risk and ECL to be the growth rate of domestic GDP. The Group applied the probability weighted scenarios for incorporating the forward looking information. HK real GDP, HK CPI, HK unemployment rate, Hang Seng index and 3-month HIBOR has been used in determining the probability-weighting of each of the optimistic scenario, base case scenario and pessimistic scenario. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivable (except for secured margin loans)	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payment has been overdue for more than 30 days (secured margin loans: LTV over 75% and margin call less than 30 days	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (secured margin loans: LTV over 100% and overdue for more than 30 days)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2022	2021
					HK$	HK$
Debt investments at fair value through other comprehensive income	*18*	BBB- or above	Low risk	12-month ECL	**438,800,983**	–
Debt investments at amortised cost	*19*	A- or above	Low risk	12-month ECL	**215,053,375**	–
Reverse repurchase agreements	*20*	N/A	Low risk	12-month ECL	**93,215,541**	211,088,437
Secured margin loans	*23*	N/A	Low risk	12-month ECL	**244,776,982**	517,830,760
			Doubtful	Lifetime ECL (not credit impaired)	**134,815,108**	26,452,493
			Loss	Credit impaired	**1,068,881,332**	1,096,873,544
					1,448,473,422	1,641,156,797
Accounts receivable (except for secured margin loans)	*23*	N/A	*(Note 2)*	Lifetime ECL (not credit impaired)	**634,998,486**	710,580,204
				Lifetime ECL (credit-impaired)	**2,707,285**	3,642,103
					637,705,771	714,222,307
Bank balances – trust accounts	*24*	BBB or above	N/A	12-month ECL	**2,874,533,585**	4,268,850,026
Bank balances – general accounts and cash	*24*	BBB or above	N/A	12-month ECL	**2,703,948,516**	5,458,957,080
Deposits and other receivables	*22*	N/A	*(Note 1)*	12-month ECL	**180,003,492**	148,673,364

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2022			2021		
	Past due HK$	**Not past due/ Repayable on demand HK$**	**Total HK$**	Past due HK$	Not past due/ Repayable on demand HK$	Total HK$
Deposits and other receivables	**–**	**180,003,492**	**180,003,492**	–	148,673,364	148,673,364

2. For accounts receivable (except for secured margin loans), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging status.

The Group's credit risk exposure of financial assets according to the stage of ECL for which an impairment allowance is recognised as follows:

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*
As at 31 December 2022

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Debt investments at fair value through other comprehensive income				
Fair value	438,800,983	–	–	438,800,983
Loss allowance	(244,243)	–	–	(244,243)
Debt investments at amortised cost				
Gross carrying amount	215,053,375	–	–	215,053,375
Loss allowance	(99,421)	–	–	(99,421)
Net carrying amount	214,953,954	–	–	214,953,954
Reverse repurchase agreements				
Gross carrying amount	93,215,541	–	–	93,215,541
Loss allowance	(268,374)	–	–	(268,374)
Net carrying amount	92,947,167	–	–	92,947,167
Secured margin loans				
Gross carrying amount	244,776,982	134,815,108	1,068,881,332	1,448,473,422
Loss allowance	(1,590,716)	(1,980,283)	(913,282,994)	(916,853,993)
Net carrying amount	243,186,266	132,834,825	155,598,338	531,619,429
Bank balances – trust accounts				
Gross carrying amount	2,874,533,585	–	–	2,874,533,585
Loss allowance	(440,284)	–	–	(440,284)
Net carrying amount	2,874,093,301	–	–	2,874,093,301

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2021

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Reverse repurchase agreements				
Gross carrying amount	211,088,437	–	–	211,088,437
Loss allowance	(340,278)	–	–	(340,278)
Net carrying amount	210,748,159	–	–	210,748,159
Secured margin loans				
Gross carrying amount	517,830,760	26,452,493	1,096,873,544	1,641,156,797
Loss allowance	(4,894,031)	(536,568)	(829,636,959)	(835,067,558)
Net carrying amount	512,936,729	25,915,925	267,236,585	806,089,239
Bank balances – trust accounts				
Gross carrying amount	4,268,850,026	–	–	4,268,850,026
Loss allowance	(432,290)	–	–	(432,290)
Net carrying amount	4,268,417,736	–	–	4,268,417,736

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for debt investments at fair value through other comprehensive income is as follow:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 2 Lifetime ECL HK$	Total HK$
As at 31 December 2020, 31 December 2021 and 1 January 2022	–	–	–	–
Impairment losses recognised	244,243	–	–	244,243
As at 31 December 2022	244,243	–	–	244,243

Movement in the allowances for impairment for debt investments at amortised cost is as follow:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 2 Lifetime ECL HK$	Total HK$
As at 31 December 2020, 31 December 2021 and 1 January 2022	–	–	–	–
Impairment losses recognised	99,421	–	–	99,421
As at 31 December 2022	99,421	–	–	99,421

Movement in the allowances for impairment for reverse repurchase agreements is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2020 and 1 January 2021	211,908	–	–	211,908
Impairment losses recognised	128,370	–	–	128,370
As at 31 December 2021 and 1 January 2022	340,278	–	–	340,278
Impairment losses reversed	(71,904)	–	–	(71,904)
As at 31 December 2022	268,374	–	–	268,374

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for bank balances – trust accounts is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2020 and 1 January 2021	479,074	–	–	479,074
Impairment losses reversed	(46,784)	–	–	(46,784)
As at 31 December 2021 and 1 January 2022	432,290	–	–	432,290
Impairment losses recognised	7,994	–	–	7,994
As at 31 December 2022	440,284	–	–	440,284

As at 31 December 2022, the Group measured the loss allowance for bank balances – trust accounts of Stage 1 amounting to HK$440,284 (2021: HK$432,290), which was contributed by the fixed deposits in the trust accounts with a gross carrying amount of HK$1,589.5 million (2021: HK$2,094.4 million).

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for secured margin loans is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2021	7,272,586	1,059,555	732,580,451	740,912,592
Changes due to financial instruments recognised as at 1 January 2021:				
– Transfer to Stage 3	(794,089)	(102,138)	896,227	–
– Transfer to Stage 2	(337,361)	337,361	–	–
– Transfer to Stage 1	1,204,577	–	(1,204,577)	–
Impairment losses recognised	1,108,637	199,205	181,678,702	182,986,544
Impairment losses reversed	(4,621,335)	(957,415)	(84,341,809)	(89,920,559)
New financial assets originated or purchased	1,061,016	–	27,965	1,088,981
As at 31 December 2021 and 1 January 2022	4,894,031	536,568	829,636,959	835,067,558
Changes due to financial instruments recognised as at 1 January 2022				
– Transfer to Stage 3	(33,100)	(536,567)	569,667	–
– Transfer to Stage 2	(1,132,194)	1,132,194	–	–
– Transfer to Stage 1	1,497,421	–	(1,497,421)	–
Impairment losses recognised	7,393	848,088	94,180,875	95,036,356
Impairment losses reversed	(4,162,404)	–	(9,457,499)	(13,619,903)
Written-off	–	–	(149,587)	(149,587)
New financial assets originated or purchased	519,569	–	–	519,569
As at 31 December 2022	1,590,716	1,980,283	913,282,994	916,853,993

The overall increase of the ECL allowance was HK$81.8 million (2021: HK$94.2 million) for the year ended 31 December 2022.

The movement was mainly driven by secured margin loans of Stage 3. Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin accounts. Additional loss allowance of HK$94.2 million (2021: HK$181.7 million) was made for secured margin loans with a gross carrying amount of HK$1,068.9 million (2021: HK$1,096.9 million) at Stage 3.

This increase had been partially set off by reversal of impairment losses for secured margin loans of stage 3 with a gross carrying amount of HK$1,124.3 million (2021: HK$1,318.5 million).

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's credit risk exposure of accounts receivable (except for secured margin loans) for which an impairment allowance is recognised as follows based on simplified approach:

As at 31 December 2022

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	351,726,583	2,557,285	354,283,868
Loss allowance	(1,062)	(1,260,877)	(1,261,939)
Net carrying amount	351,725,521	1,296,408	353,021,929
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	184,100,056	–	184,100,056
Loss allowance	–	–	–
Net carrying amount	184,100,056	–	184,100,056
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	4,101,017	–	4,101,017
Loss allowance	–	–	–
Net carrying amount	4,101,017	–	4,101,017
Accounts receivable arising from the business of asset management			
Gross carrying amount	10,293,983	150,000	10,443,983
Loss allowance	(456,643)	(150,000)	(606,643)
Net carrying amount	9,837,340	–	9,837,340
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	84,776,847	–	84,776,847
Loss allowance	–	–	–
Net carrying amount	84,776,847	–	84,776,847
Total			
Gross carrying amount	634,998,486	2,707,285	637,705,771
Loss allowance	(457,705)	(1,410,877)	(1,868,582)
Net carrying amount	634,540,781	1,296,408	635,837,189

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2021

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	340,226,297	1,405,299	341,631,596
Loss allowance	(5,704)	(326,887)	(332,591)
Net carrying amount	340,220,593	1,078,412	341,299,005
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	183,206,987	–	183,206,987
Loss allowance	–	–	–
Net carrying amount	183,206,987	–	183,206,987
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	6,930,769	–	6,930,769
Loss allowance	–	–	–
Net carrying amount	6,930,769	–	6,930,769
Accounts receivable arising from the business of asset management			
Gross carrying amount	15,665,385	2,236,804	17,902,189
Loss allowance	–	(1,493,961)	(1,493,961)
Net carrying amount	15,665,385	742,843	16,408,228
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	164,550,766	–	164,550,766
Loss allowance	–	–	–
Net carrying amount	164,550,766	–	164,550,766
Total			
Gross carrying amount	710,580,204	3,642,103	714,222,307
Loss allowance	(5,704)	(1,820,848)	(1,826,552)
Net carrying amount	710,574,500	1,821,255	712,395,755

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for accounts receivable (except for secured margin loans) is as follows:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$	HK$	HK$
As at 31 December 2020 and 1 January 2021	184,718	2,170,709	2,355,427
Impairment losses recognised	–	87,861	87,861
Impairment losses reversed	(179,014)	(437,722)	(616,736)
As at 31 December 2021 and 1 January 2022	5,704	1,820,848	1,826,552
Impairment losses recognised	456,643	933,990	1,390,633
Impairment losses reversed	(4,642)	(1,139,094)	(1,143,736)
Written-off	–	(204,867)	(204,867)
As at 31 December 2022	457,705	1,410,877	1,868,582

Accounts receivable arising from the business of dealing in securities which are credit-impaired represent accounts receivable from cash clients when clients fail to settle according to settlement terms after taking into consideration the recoverability of collateral.

Accounts receivable arising from the business of asset management which are credit-impaired represent accounts receivable from asset management clients which have not yet been settled by clients over 1 year and the client encountered financial difficulty on the repayment.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from debt securities held by the Group, is shown below.

	2022 HK$	2021 HK$
Carrying amount	**3,243,805,182**	4,436,923,072
Concentration by sector		
Banks	**422,412,028**	701,304,300
Other financial institutions	**436,870,068**	580,589,031
Insurance	**–**	124,202,484
Government	**120,195,374**	30,530,411
Corporate:	**2,264,327,712**	3,000,296,846
Real estate	**1,119,004,125**	1,026,249,831
Chemicals	**131,245,953**	113,388,155
Customer services	**305,487,197**	461,431,198
Industrial and construction	**317,608,974**	757,400,126
Information technology	**14,216,230**	7,589,962
Transportation	**125,243,954**	140,711,802
Utilities	**251,521,279**	470,142,169
Manufacturing	**–**	15,567,958
Metals and mining	**–**	7,815,645
	3,243,805,182	4,436,923,072
Concentration by location		
Mainland China	**1,722,191,352**	2,092,834,914
Europe	**162,058,311**	88,801,880
Hong Kong	**544,706,206**	1,118,944,280
Other parts in Asia	**67,898,303**	84,857,123
America	**699,735,508**	1,051,484,875
Australia	**47,215,502**	–
	3,243,805,182	4,436,923,072

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Concentration by location for debt securities is based on the country of domicile of the issuer of the security.

Other than concentration of credit risk on bank balances, amounts due from clearing houses and brokers, top ten margin clients' exposure described above, and debt securities investment, the Group had no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The directors of Company consider that the liquidity risk of the Group is remote because the Group has sufficient assets to repay the liabilities when demanded.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the earliest date on which the Group can be required to pay with taking into account the repayment on demand clause. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which 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. Bank borrowings and repurchase agreements with a repayment on demand clause and bank loans that do not meet covenant conditions are classified as current liabilities. The directors of the Company do not believe that it is probable the banks will exercise their discretionary rights to demand immediate repayment.

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2022						
Accounts payable	N/A	3,150,506,807	–	–	3,150,506,807	3,150,506,807
Financial liabilities held for trading	N/A	20,479,079	–	–	20,479,079	20,479,079
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	30,447,343	–	30,447,343	30,447,343
Repurchase agreements (including interest payable)	4.58%	1,552,672,004	405,874,297	–	1,958,546,301	1,958,527,621
Bank borrowings (including interest payable)	5.41%	1,004,883,446	–	–	1,004,883,446	1,000,907,152
Lease liabilities	4%	3,178,275	13,322,070	–	16,500,345	16,305,095
Other payables	N/A	1,543,136	–	–	1,543,136	1,543,136
Amount due to a related party	N/A	1,316,280	–	–	1,316,280	1,316,280
Bonds	2.00%	–	41,902,882	2,070,920,794	2,112,823,676	2,079,992,337
Other liabilities	N/A	180,720,209	–	–	180,720,209	180,720,209
Total		5,915,299,236	491,546,592	2,070,920,794	8,477,766,622	8,440,745,059

41. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2021						
Accounts payable	N/A	4,786,178,972	–	–	4,786,178,972	4,786,178,972
Financial liabilities held for trading	N/A	12,076,372	–	–	12,076,372	12,076,372
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	53,319,705	–	53,319,705	53,319,705
Repurchase agreements (including interest payable)	0.42%	1,970,170,502	–	–	1,970,170,502	1,970,119,726
Bank borrowings (including interest payable)	2.56%	531,149,390	–	–	531,149,390	530,146,916
Lease liabilities	4%	3,178,274	34,961,020	16,500,345	54,639,639	52,992,443
Other payables	N/A	27,839,434	–	–	27,839,434	27,839,434
Amount due to a related party	N/A	4,560,326	–	–	4,560,326	4,560,326
Bonds	2%	–	47,446,958	2,392,366,633	2,439,813,591	2,352,317,863
Loan from the immediate holding company	2.90%	–	2,368,318,608	–	2,368,318,608	2,300,852,500
Other liabilities	N/A	238,046,664	–	–	238,046,664	238,046,664
Total		7,573,199,934	2,504,046,291	2,408,866,978	12,486,113,203	12,328,450,921

Note: As mentioned in note 23, the Group has issued structured notes to third parties to transfer the cash flow of margin loans during the year ended 31 December 2019. The issued notes will expire in 2024 and the redemption price will be determined by the fair value of the underlying exposure upon expiry.

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2022 and 2021.

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables give information about how the fair values of financial assets and financial liabilities measured at fair value are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

	Fair value as at 31 December 2022 HK$	Fair value as at 31 December 2021 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
Equity securities				
– Traded on stock exchanges	**148,741,035**	246,043,540	Level 1	Quoted price in active markets
– Unlisted	**–**	25,398,354	Level 3	Market approach based on the Comparable Companies Method with the Price to Earnings and EV/EBITDA multiple of the comparable companies, with significant unobservable input of the discount rate for lack of marketability to the estimated equity value of the unlisted equity investment *(note a)*
Debt securities				
– Traded on stock exchanges and unlisted	**1,880,086,381**	3,734,968,072	Level 2	Quoted from brokers or market makers
– Unlisted	**709,963,865**	701,955,000	Level 3	Fair value of collaterals *(note b)*
Funds				
– Unlisted public	**43,327,885**	119,908,326	Level 1	Quoted price in active market
– Unlisted private	**36,536,811**	63,983,646	Level 2	Observable quoted price of underlying investment in active market
– Unlisted private	**24,726,511**	16,615,824	Level 3	Direct market comparison approach with NAV of fund provided by external counterparty *(note c)*
	2,843,382,488	4,908,872,762		

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value as at 31 December 2022 HK$	Fair value as at 31 December 2021 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Financial assets at fair value through other comprehensive income				
Equity securities designated at FVTOCI				
– Traded on stock exchanges and unlisted	**1,735,889,091**	–	Level 2	Quoted from brokers or market makers
Debt securities at FVTOCI				
– Traded on stock exchanges and unlisted	**438,800,983**	–	Level 2	Quoted from brokers or market makers
	2,174,690,074	–		
3) Financial liabilities held for trading				
Short position in listed debt securities	**20,479,079**	–	Level 2	Quoted from brokers or market makers
Short position in listed equity securities	**–**	11,010,000	Level 1	Quoted price in active market
Credit derivative	**–**	1,066,372	Level 3	Credit spread *(note d)*
	20,479,079	12,076,372		
4) Financial liabilities designated at fair value through profit or loss				
Unlisted structured products (with the underlying investment related to unlisted fund)	**30,447,343**	53,319,705	Level 2	Observable quoted price of underlying investments in active market
	30,447,343	53,319,705		

41. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

(a) As at 31 December 2021, the unobservable input was the discount rate for lack of marketability with reference to the prices of listed securities when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted. The investment was written down in 2022 as recovery is considered remote.

(b) The unobservable inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals.

(c) The directors of the Company determined that the reported net asset value of the unlisted investment fund represents the fair value of the fund. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in positive relationship that the higher the reported net asset value adopted in the valuation assessment, the higher the fair value would be resulted.

(d) As at 31 December 2021, the unobservable input was the spread of the credit derivative with reference to the price of the underlying reference obligation and the spread is provided by the external counterparty, when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the spread adopted in the valuation assessment, the lower the fair value would be resulted. The investment was terminated during current year.

There were no transfers between level 1 and level 2 in 2021 and 2022. The Group assumes all transfers took place at the end of the financial year.

41. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of level 3 fair value measurements

As at 31 December

	2022		2021	
	Financial liabilities at fair value through profit or loss HK$	**Financial assets at fair value through profit or loss HK$**	Financial liabilities at fair value through profit or loss HK$	Financial assets at fair value through profit or loss HK$
Opening balance	**(1,066,372)**	**743,969,178**	(2,608,596)	89,289,683
Transfer from Level 2 *(note a)*	**–**	**–**	–	701,955,000
Total gains or losses recognised in profit or loss during the year	**(3,878,040)**	**(9,278,802)**	1,542,224	(47,275,505)
Settled during the year	**4,944,412**	**–**	–	–
Closing balance	**–**	**734,690,376**	(1,066,372)	743,969,178
Total gains or losses for the year included in profit or loss attributable to the change in unrealised gains or losses of assets/liabilities held at the end of the year	**–**	**(135,604,782)**	1,542,224	(47,275,505)

Note:

(a) The fair value of the unlisted debt securities were determined with reference to the quoted price and therefore classified as Level 2 investment in the previous year. During the year ended 31 December 2021, the fair value of the unlisted debt securities were determined based on the fair value of collaterals which involved significant unobservable inputs. Thus, the instrument was transferred from Level 2 to Level 3 category. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The gains or losses arising from the remeasurement of the financial assets and liabilities at fair values through profit or loss are presented in the "Net trading and investment income" line item in the consolidated statement of profit or loss.

41. FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments settled daily

	As at 31 December 2022		
	Notional amount	**Fair value Assets**	**Liabilities**
	HK$	**HK$**	**HK$**
Foreign currency exchange futures	**346,460,760**	**–**	**1,672,719**
Interest rate futures	**350,905,500**	**933,615**	**–**
Total	**697,366,260**	**933,615**	**1,672,719**
Less: settlement		**(933,615)**	**(1,672,719)**
Net position		**–**	**–**

	As at 31 December 2021		
	Notional amount	Fair value Assets	Liabilities
	HK$	HK$	HK$
Foreign currency exchange futures	436,269,569	389,203	–
Interest rate futures	682,456,250	–	(4,635,375)
Total	1,118,725,819	389,203	(4,635,375)
Less: settlement		(389,203)	4,635,375
Net position		–	–

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures traded through CISI Futures, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 31 December 2022 and 2021.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

The disclosures set out in the table below include financial assets that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for total return swaps, foreign currency forward and sale and repurchase agreements.

The Group's total return swaps transactions and foreign currency forward that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the statements of financial position. However, they create a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

In addition, the Group pledged collateral in the form of cash and/or securities in respect of its total return swaps transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral pledged must be returned on maturity of the transactions.

Under the agreement of continuous net settlement between the Group and HKSCC and respective agreements between the Group and brokers, the Group has a legally enforceable right to set off money obligations receivable and payable with HKSCC and respective brokers on the same settlement date on a net basis. The Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2022

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	**908,377,029**	**(23,735,671)**	**884,641,358**	**(36,561,923)**	**(509,609,136)**	**338,470,299**
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 39)	**2,475,696,656**	**–**	**2,475,696,656**	**(1,958,527,621)**	**–**	**517,169,035**
Reverse repurchase agreements	**92,947,167**	**–**	**92,947,167**	**–**	**(92,947,167)**	**–**

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	**2,842,451,294**	**(23,735,671)**	**2,818,715,623**	**(36,561,923)**	**(13,704,213)**	**2,768,449,487**
Repurchase agreements	**1,958,527,621**	**–**	**1,958,527,621**	**(1,958,527,621)**	**–**	**–**

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2021

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	1,204,330,505	(56,942,261)	1,147,388,244	(89,187,672)	(824,795,338)	233,405,234
Financial assets pledged as collaterals for repurchase agreements (as disclosed in note 39)	3,354,003,506	–	3,354,003,506	(1,970,119,726)	–	1,383,883,780
Reverse repurchase agreements	210,748,159	–	210,748,159	–	(210,748,159)	–

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	4,430,407,248	(56,942,261)	4,373,464,987	(89,187,672)	(15,268,321)	4,269,008,994
Repurchase agreements	1,970,119,726	–	1,970,119,726	(1,970,119,726)	–	–

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds HK$ *(Note 32)*	Bank borrowings HK$ *(Note 31)*	Financial liabilities at fair value through profit or loss HK$ *(Note 26)*	Repurchase agreements HK$ *(Note 30)*	Account payable HK$ *(Note 27)*	Other liabilities HK$ *(Note 47)*	Lease liabilities HK$ *(Note 33)*	Amount due to the immediate holding company HK$ *(Note 25)*	Total HK$
At 1 January 2022	2,352,317,863	530,146,916	65,396,077	1,970,119,726	4,786,178,972	238,046,664	52,992,443	2,300,852,500	12,296,051,161
Financing cash flow:									
– Borrowing raised	–	1,490,000,000	–	–	–	–	–	–	1,490,000,000
– Repayments of borrowings	–	(1,020,000,000)	–	–	–	–	–	–	(1,020,000,000)
– Repayment of loan from the immediate holding company	–	–	–	–	–	–	–	(2,300,852,500)	(2,300,852,500)
– Repurchase of bonds	(274,774,500)	–	–	–	–	–	–	–	(274,774,500)
– Interest paid	(46,142,254)	(22,622,356)	–	(33,790,069)	(198,682)	–	–	(67,013,952)	(169,767,313)
– Capital element of lease rentals paid	–	–	–	–	–	–	(36,687,348)	–	(36,687,348)
– Interest element of lease rental paid	–	–	–	–	–	–	(1,451,946)	–	(1,451,946)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	–	–
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	(51,646,489)	–	–	(51,646,489)
Operating cash flow:									
– Change in financial liabilities at fair value through profit or loss	–	–	(14,508,416)	–	–	–	–	–	(14,508,416)
– Change in repurchase agreements	–	–	–	(19,128,271)	–	–	–	–	(19,128,271)
– Change in accounts payable	–	–	–	–	(1,635,672,165)	–	–	–	(1,635,672,165)
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	(13,641,539)	–	–	(13,641,539)
Finance cost	48,591,228	23,382,592	38,761	41,326,235	198,682	–	1,451,946	67,013,952	182,003,396
Investing cash flow:									
– Deemed acquisition of a consolidated structured entity	–	–	–	–	–	1,514,669	–	–	1,514,669
Other non-cash movements	–	–	–	–	–	6,446,904	–	–	6,446,904
At 31 December 2022	2,079,992,337	1,000,907,152	50,926,422	1,958,527,621	3,150,506,807	180,720,209	16,305,095	–	8,437,885,643

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Bonds HK$ (Note 32)	Bank borrowings HK$ (Note 31)	Other borrowings HK$ (Note 30)	Notes HK$ (Note 31)	Financial liabilities at fair value through profit or loss HK$ (Note 26)	Repurchase agreements HK$ (Note 30)	Account payable HK$ (Note 27)	Other liabilities HK$ (Note 46)	Lease liabilities HK$ (Note 33)	Amount due to the immediate holding company HK$ (Note 25)	Total HK$
At 1 January 2021	–	3,823,475,258	766,958,032	69,769,800	151,539,955	3,235,028,200	4,012,906,529	301,753,853	88,243,606	2,286,899,000	14,736,574,233
Financing cash flow:											
– Borrowing raised	–	46,224,144,990	4,303,792	–	–	–	–	–	–	–	46,228,448,782
– Repayments of borrowings	–	(49,514,144,990)	(769,615,240)	–	–	–	–	–	–	–	(50,283,760,230)
– Redemption of notes	–	–	–	(69,769,800)	–	–	–	–	–	–	(69,769,800)
– Issuance of bonds	2,333,859,046	–	–	–	–	–	–	–	–	–	2,333,859,046
– Loan from the immediate holding company	–	–	–	–	–	–	–	–	–	13,953,500	13,953,500
– Interest paid	(25,885,751)	(45,128,797)	(6,665,892)	(273,513)	–	(26,658,711)	(335,511)	–	–	(66,483,115)	(171,431,290)
– Capital element of lease rentals paid	–	–	–	–	–	–	–	–	(35,251,163)	–	(35,251,163)
– Interest element of lease rental paid	–	–	–	–	–	–	–	–	(2,888,132)	–	(2,888,132)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	30,640,827	–	–	30,640,827
– Withdrawals from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	(75,708,844)	–	–	(75,708,844)
Operating cash flow:											
– Change in financial liabilities at fair value through profit or loss	–	–	–	–	(86,212,463)	–	–	–	–	–	(86,212,463)
– Change in repurchase agreements	–	–	–	–	–	(1,264,908,474)	–	–	–	–	(1,264,908,474)
– Change in accounts payable	–	–	–	–	–	–	773,272,443	–	–	–	773,272,443
Fair value changes of interests held by third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	(18,639,172)	–	–	(18,639,172)
Finance cost	44,344,568	41,800,455	5,019,308	273,513	68,585	26,658,711	335,511	–	2,888,132	66,483,115	187,871,898
At 31 December 2021	2,352,317,863	530,146,916	–	–	65,396,077	1,970,119,726	4,786,178,972	238,046,664	52,992,443	2,300,852,500	12,296,051,161

44. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the remuneration of other members of key management during the years ended 31 December 2022 and 2021 was as follows:

	2022 HK$	2021 HK$
Short-term benefits	**38,546,832**	35,923,071
Post-employment benefits	**183,000**	183,000

(b) Right of trading of RMB denominated securities in the PRC

During the years ended 31 December 2022 and 2021, the Group invests in RMB denominated securities in the PRC using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program of the immediate holding company for consideration of HK$1 per annum.

(c) Consultancy services from a fellow subsidiary

Pursuant to service agreement entered into between the Company and Industrial Securities (Shenzhen), dated 27 September 2016 (the "Service Agreement"), Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%. On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"), pursuant to which the Company required broader services from Industrial Securities (Shenzhen) including provision of services and support to the Group's clients in core regions in the PRC, brand establishment and promotion and provision of cross-border information technology support. Details of the Service Agreement and the Supplemental Service Agreement are set out in section headed "Connected Transactions" in the Prospectus and in the announcement dated 3 April 2018 respectively.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement 2021"), pursuant to which, Industrial Securities (Shenzhen) will provide the new services to the Group: (i) logistics management services to the Group, including but not limited to provision of client visits, answering customer service calls, and financial settlement services; (ii) information consultancy services (excluding licensing information consultancy services), including but not limited to the provision of consultancy services on economic information and delivery and consultancy services on business information; (iii) corporate management services, including but not limited to personnel training services; (iv) software development services; and (v) information technology consultancy services, including but not limited to the provision of cross-border information technology support.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) renewed the Service Agreement (as amended by the Supplement Service Agreement 2021) (the "Renewal Service Agreement") for a further term of three years from 1 January 2022 to 31 December 2024. Details of the Supplemental Service Agreement 2021 and the Renewal Service Agreement are set out in the announcement dated 3 November 2021.

During the year ended 31 December 2022, the Company paid a consultancy service fee of HK$25,193,659 (2021: HK$29,789,119) under the Service Agreement.

44. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Right of use of trademark

During the years ended 31 December 2022 and 2021, the Group was granted by the immediate holding company a non-transferable and non-assignable license to use its registered trademarks for the Group's business and any related businesses for consideration of HK$1 per annum.

(e) Investment management and advisory services to the Industrial Securities Group

On 3 November 2021, the Company and Industrial Securities entered into the master agreement (the "Master Agreement"), pursuant to which the Group conditionally agreed that it will provide the investment management and advisory services to the Industrial Securities Group for a term of three years from 1 January 2022 to 31 December 2024. No such services were provided by the Group for the year ended 31 December 2022 and 2021. Details of the Master Agreement are set out in the announcement dated 3 November 2021.

45. SUBSIDIARIES

The particulars of the Group's subsidiaries and consolidated investment funds are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group at 31 December		Principal activities
				2022	2021	
				%	%	
Directly owned						
China Industrial Securities International Brokerage Limited	Hong Kong	Hong Kong	HK$3,500,000,000	**100**	100	Securities dealing and broking and securities margin financing
China Industrial Securities International Futures Limited	Hong Kong	Hong Kong	HK$50,000,000	**100**	100	Futures and options contracts broking
China Industrial Securities International Capital Limited	Hong Kong	Hong Kong	HK$100,000,000	**100**	100	Corporate finance services
China Industrial Securities International Asset Management Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Advising on securities and asset management services
China Industrial Securities International Investment Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Investment holding
China Industrial Securities International Wealth Management Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Wealth management services
Indirectly owned						
CISI Investment Limited	British Virgin Islands	Hong Kong	US$2,500,000	**100**	100	Investment trading
CISI Capital Management Limited	British Virgin Islands	Hong Kong	US$1	**100**	100	Investment holding

45. SUBSIDIARIES *(Continued)*

Name of investment fund	Place of incorporation	Place of operation	Class of share	Effective interest holding at 31 December 2022 %	2021 %	Principal activities
Indirectly owned						
IS Investment Fund Segregated Portfolio Company – CIS Resources Fund Segregated Portfolio ("CISRF") *(note a)*	Cayman Islands	Hong Kong	Participating	**100**	100	Investment trading
IS Investment Fund Segregated Portfolio Company – CISI Stable Growth Bond Fund Segregated Portfolio ("CISISF") *(note a)*	Cayman Islands	Hong Kong	Participating	**86.50**	80.19	Investment trading
IS Investment Fund Segregated Portfolio Company – WVCIS Value Growth Fund Segregated Portfolio ("CISWF") *(note a)*	Cayman Islands	Hong Kong	Participating	**48.87**	45.76	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS The Belt and Road PE Fund I ("CISBF") *(note a)*	Cayman Islands	Hong Kong	Participating	**50**	50	Investment trading
IS Investment Fund Segregated Portfolio Company – CISI Pioneer Selection Fund SP ("Pioneer") *(note a)*	Cayman Islands	Hong Kong	Participating	**–**	100	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS New China Ever-growing Fund Segregated Portfolio ("CISNCEF") *(note b)*	Cayman Islands	Hong Kong	Participating	**66.95**	66.95	Investment trading

Notes:

(a) China Industrial Securities International Asset Management Limited, a wholly-owned subsidiary of the Group, holds all management shares of IS Investment Fund Segregated Portfolio Company ("IS IFSPC"). China Industrial Securities International Asset Management Limited has been appointed as an investment manager of CISRF, CISISF, CISWF, CISBF and CISNCEF, under IS IFSPC. The Group holds significant participating shares in the above mentioned funds. The directors of the Company are of the opinion that CISRF, CISISF, CISWF and CISBF are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests as at 31 December 2022 and 2021. During the year ended 31 December 2022, the Group has fully redeemed the participating shares in Pioneer and therefore lost control over this structured entity.

(b) As the Group has obtained control over CISNCEF due to the resignation of the other co-investment manager of CISNCEF since 1 January 2022, CISNCEF is regarded as a consolidated structured entity of the Group as at 31 December 2022. Further details are disclosed in notes 16 and 46.

46. DEEMED ACQUISITION OF A CONSOLIDATED STRUCTURED ENTITY

As disclosed in note 16, on 1 January 2022, the Group has obtained control over CISNCEF due to the resignation of the other co-investment manager of CISNCEF. No consideration was transferred by the Group to the other co-investment manager for obtaining control of CISNCEF. The interest of participating shares of CISNCEF held by the Group remains unchanged before and after the control is obtained.

Consideration transferred

	HK$
Cash	Nil

Assets acquired and liabilities recognised at the date of deemed acquisition

	HK$
Bank balances	1,514,669
Financial assets at fair value through profit or loss	24,672,274
Other payable	(2,099,439)
	24,087,504

Net assets acquired at the date of deemed acquisition attributable to the Group

	HK$
Net assets acquired at the date of deemed acquisition (HK$)	24,087,504
Proportion of the Group's interest	66.95%
Net assets acquired at the date of deemed acquisition attributable to the Group (HK$)	16,125,931

Third-party interests at the deemed acquisition date were measured at the proportionate share of the fair value of identifiable net assets of CISNCEF, which are reflected as other liabilities in the consolidated statement of financial position.

At the deemed acquisition date, included in the financial assets at fair value through profit or loss represents the listed equity securities with the quoted market price.

Net cash inflow on deemed acquisition of a consolidated structured entity

	HK$
Cash and cash equivalent balances acquired	1,514,669
Less: consideration paid in cash	–
	1,514,669

47. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2022, loss contributed by the consolidated investment funds (excluding third party interests as stated below), were HK$21,275,272 (2021: profit of HK$6,292,447). As at 31 December 2022, the total assets and total liabilities (excluding third party interests as stated below) of the consolidated investment funds, were HK$1,023,009,869 and HK$286,450,833 respectively (2021: HK$1,300,112,713 and HK$500,270,558 respectively).

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders/shareholders in consolidated investment funds that are subject to the actions of third-party unit holders/shareholders.

For the year ended 31 December 2022, changes in interests held by third-party unit holders/shareholders of HK$13,641,539 (2021: HK$18,639,172) in consolidated structured entities are included as other gains within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK$180,720,209 (2021: HK$238,046,664) as at 31 December 2022 are included in other liabilities in the consolidated statement of financial position.

48. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A wholly-owned subsidiary of the Company, China Industrial Securities International Asset Management Limited, serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 *Disclosure of interests in other entities*. The directors of the Company are of the opinion that certain investment funds are regarded as unconsolidated structured entities as the Group does not hold any participating shares in the investment funds and is not able to exercise control over their operation, or it has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

China Industrial Securities International Asset Management Limited receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in a range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2022 is HK$6,931,021 (2021: HK$11,703,700) (included in accounts receivable) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 is HK$16,895,698 (2021: HK$20,169,910). The net asset value of total assets under management for these funds amounts to approximately HK$4,778 million as at 31 December 2022 (2021: HK$5,849 million).

48. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount mentioned as above.

Financial support

The Group has not provided financial support to any of its unconsolidated structured entities during the years ended 31 December 2022 and 2021, and has no contractual obligations or current intention of providing financial support in the future.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$	2021 HK$
Non-current assets		
Property and equipment	**32,924,177**	75,443,983
Intangible assets	**5,870,562**	3,574,885
Investment in subsidiaries	**3,265,043,417**	3,298,211,609
Deposits, other receivables and prepayments	**14,727,956**	14,828,827
Deferred tax assets	**2,191,554**	4,997,738
	3,320,757,666	3,397,057,042
Current assets		
Tax receivable	**2,785,328**	10,107,825
Deposits, other receivables and prepayments	**7,592,022**	2,785,328
Amounts due from subsidiaries	**3,209,176,454**	6,076,159,761
Bank balances – general accounts and cash	**554,277,914**	123,987,112
	3,773,831,718	6,213,040,026
Current liabilities		
Accruals and other payables	**20,865,150**	45,471,060
Amounts due to a fellow subsidiary	**1,316,280**	4,560,326
Amount due to the immediate holding company	**–**	2,300,852,500
Bank borrowings	**1,000,907,152**	530,146,916
Lease liabilities	**16,305,095**	37,325,638
	1,039,393,677	2,918,356,440
Net current assets	**2,734,438,041**	3,294,683,586
Non-current liabilities		
Lease liabilities	**–**	15,666,805
Bonds	**2,079,992,337**	2,352,317,863
	2,079,992,337	2,367,984,668
Net assets	**3,975,203,370**	4,323,755,960
Equity		
Share capital	**400,000,000**	400,000,000
Share premium	**3,359,547,592**	3,359,547,592
Accumulated loss	**(1,226,786,043)**	(878,233,453)
Capital reserve	**442,441,821**	442,441,821
Equity attributable to holders of the ordinary shares	**2,975,203,370**	3,323,755,960
Equity attributable to holders of other equity instruments	**1,000,000,000**	1,000,000,000
Total equity	**3,975,203,370**	4,323,755,960

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements in the Company's components of equity

	Share capital	Share premium	Capital reserve	Accumulated loss	Other equity instruments	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2021	400,000,000	3,359,547,592	442,441,821	(916,211,248)	–	3,285,778,165
Profit and total comprehensive income for the year	–	–	–	37,977,795	–	37,977,795
Issue of perpetual securities	–	–	–	–	1,000,000,000	1,000,000,000
At 31 December 2021	400,000,000	3,359,547,592	442,441,821	(878,233,453)	1,000,000,000	4,323,755,960
Loss and total comprehensive income for the year	–	–	–	(348,552,590)	–	(348,552,590)
At 31 December 2022	400,000,000	3,359,547,592	442,441,821	(1,226,786,043)	1,000,000,000	3,975,203,370

50. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2022, the directors consider the immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited which is incorporated in Hong Kong. Industrial Securities Company Limited ("Industrial Securities"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

51. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, Income taxes: *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY (UNAUDITED)

RESULTS

	Year ended 31 December				
	2018 HK$	2019 HK$	2020 HK$	2021 HK$	**2022 HK$**
REVENUE	1,011,045,602	1,261,563,267	576,700,171	636,370,709	**258,004,188**
Other income	53,584,083	131,340,135	110,664,967	31,386,354	**116,493,723**
Share of result of a joint venture	(498,698)	(7,188,844)	3,840,787	(20,060,274)	**–**
Finance costs	(386,951,178)	(569,952,191)	(487,532,792)	(187,871,898)	**(182,003,396)**
Commission and fee expenses	(111,605,723)	(72,846,533)	(90,921,460)	(64,536,118)	**(62,899,895)**
Staff costs	(187,040,901)	(232,101,080)	(169,962,057)	(159,927,725)	**(160,103,290)**
Other operating expenses	(182,361,532)	(175,163,993)	(160,608,855)	(166,202,778)	**(163,018,113)**
Impairment losses on financial assets	(6,105,250)	(874,301,268)	(368,491,609)	(95,493,470)	**(82,462,673)**
Other gains and losses	10,483,808	1,027,010	55,063,772	75,712,803	**(29,294,055)**
PROFIT/(LOSS) BEFORE TAXATION	200,550,211	(537,623,497)	(531,247,076)	49,377,603	**(305,283,511)**
Taxation	(56,749,540)	75,764,050	38,709,493	(9,283,964)	**7,881,095**
PROFIT/(LOSS) FOR THE YEAR	143,800,671	(461,859,447)	(492,537,583)	40,093,639	**(297,402,416)**
Other comprehensive income for the year	–	–	–	–	**(94,917,854)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	143,800,671	(461,859,447)	(492,537,583)	40,093,639	**(392,320,270)**
EARNINGS/(LOSS) PER SHARE					
Basic (expressed in HKD)	0.0360	(0.1155)	(0.1231)	0.0100	**(0.0744)**

ASSETS AND LIABILITIES

	As at 31 December				
	2018 HK$	2019 HK$	2020 HK$	2021 HK$	**2022 HK$**
Total assets	23,343,840,317	24,304,672,709	18,263,690,895	16,794,803,131	**12,472,181,491**
Total liabilities	(18,952,766,745)	(20,465,030,793)	(14,916,586,562)	(12,407,605,159)	**(8,477,303,789)**
Net assets	4,391,073,572	3,839,641,916	3,347,104,333	4,387,197,972	**3,994,877,702**

INDEPENDENT AUDITOR'S REPORT

To the shareholders of China Industrial Securities International Financial Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Industrial Securities International Financial Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 44 to 155, which comprise the consolidated statement of financial position as at 31 December 2021, 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment for margin loans	
Refer to note 21 to the consolidated financial statements and the accounting policies on page 62-66.	
The Key Audit Matter	**How the matter was addressed in our audit**
At 31 December 2021, the gross amount of margin loans and its related impairment allowance amounted to HK$1,641 million (2020: HK$2,766 million) and HK$835 million (2020: HK$741 million) respectively. The net carrying amount represented 5% (2020: 11%) of the Group's total assets. Management exercises significant judgement in determining the expected credit loss ("ECL") of margin loans. The ECL is subject to a number of key parameters and assumptions, including the classification 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. Margin loans is categorized as Stage 3 when it is credit-impaired. Management measures lifetime ECL of credit-impaired margin loans by considering various factors including realization value of collateral, historical loss rate and any other factors such as remedies available for recovery and the financial situation of the borrower. We identified the impairment assessment for margin loans as a key audit matter due to its significance to the consolidated financial statements and the significant management estimates and judgement required in the measurement.	Our audit procedures for the impairment assessment for margin loans included the following: • understanding and assessing the design, implementation and operating effectiveness of the key internal controls over the approval, recording and monitoring of margin loans and collateral shortfalls and the ECL assessment procedures. For the key underlying systems used for the processing of transactions in relation to margin loans, this included involving our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant key internal controls over access to these systems and controls over data and change management; • understanding and assessing the established policies and procedures on impairment assessment including the staging criteria, application of assumptions and inputs into the model; • evaluating, with the assistance of our internal valuation specialists, the reasonableness and appropriateness of the ECL model and the critical assumptions, inputs and parameters used in the model; • assessing the valuation of collateral held for a sample of margin loan balances with publicly available market prices; • assessing the existence of collateral by comparing a sample of securities held as collateral as extracted from the Group's records with independent confirmations or third party statements from brokers or clearing houses; and • assessing the existence and quality of collateral, guarantees or other forms of credit support in evaluating the adequacy of impairment allowance made by the Group for material margin loans classified as Stage 3.

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 HKFRSs issued by the HKICPA 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 Ko Sze Man.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
Commission and fee income from customers	5	**326,540,730**	343,666,019
Interest revenue	5	**106,356,223**	209,589,015
Net investment income and gains or losses	5	**203,473,756**	23,445,137
Total revenue	5	**636,370,709**	576,700,171
Other income	5	**31,386,354**	110,664,967
Share of result of a joint venture	16	**(20,060,274)**	3,840,787
Finance costs	7	**(187,871,898)**	(487,532,792)
Commission and fee expenses	8	**(64,536,118)**	(90,921,460)
Staff costs	9	**(159,927,725)**	(169,962,057)
Other operating expenses		**(166,202,778)**	(160,608,855)
Impairment losses on financial assets	9	**(95,493,470)**	(368,491,609)
Other gains or losses	9	**75,712,803**	55,063,772
Profit/(loss) before taxation	9	**49,377,603**	(531,247,076)
Taxation	10	**(9,283,964)**	38,709,493
Profit/(loss) for the year attributable to:		**40,093,639**	(492,537,583)
– Holders of ordinary shares of the Company		**40,093,639**	(492,537,583)
– Holders of other equity instruments of the Company		**–**	–
Total comprehensive income for the year attributable to:		**40,093,639**	(492,537,583)
– Holders of ordinary shares of the Company		**40,093,639**	(492,537,583)
– Holders of other equity instruments of the Company		**–**	–
Earning/(loss) per share attributable to ordinary equity holders of the Company			
Basic (expressed in HKD)	13	**0.0100**	(0.1231)

The notes on pages 50 to 155 form part of these financial statements. Details of dividends declared for the year are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$	2020 HK$
Non-current assets			
Property and equipment	14	**76,002,382**	97,076,576
Intangible assets	15	**7,658,890**	11,724,831
Interest in a joint venture	16	**16,125,931**	36,186,205
Financial assets at fair value through profit or loss	17	**16,615,824**	51,235,662
Reverse repurchase agreements	18	**90,036,076**	90,799,345
Statutory deposits	19	**19,063,234**	26,919,725
Deferred tax assets	27	**121,593,827**	124,540,847
Deposits, other receivables, prepayments and other assets	20	**14,946,898**	16,820,086
		362,043,062	455,303,277
Current assets			
Accounts receivable	21	**1,518,484,994**	3,481,413,395
Reverse repurchase agreements	18	**120,712,083**	398,139,045
Financial assets at fair value through profit or loss	17	**4,892,256,938**	7,965,083,925
Statutory deposits	19	**30,463,929**	24,096,174
Deposits, other receivables, prepayments and other assets	20	**139,002,439**	332,617,739
Tax receivable		**4,464,870**	6,160,483
Bank balances – trust accounts	22	**4,268,417,736**	3,314,652,509
Bank balances – general accounts and cash	22	**5,458,957,080**	2,286,224,348
		16,432,760,069	17,808,387,618
Current liabilities			
Accounts payable	25	**4,786,178,972**	4,012,906,529
Accruals and other payables	26	**101,672,982**	172,261,819
Amount due to a fellow subsidiary	23	**4,560,326**	1,351,510
Amount due to the immediate holding company	23	**2,300,852,500**	–
Contract liabilities		**5,049,632**	426,924
Tax payable		**252,291**	5,949,647
Financial liabilities at fair value through profit or loss	24	**65,396,077**	151,539,955
Repurchase agreements	28	**1,970,119,726**	3,235,028,200
Bank borrowings	29	**530,146,916**	3,823,475,258
Other borrowings	30	**–**	766,958,032
Notes	31	**–**	69,769,800
Lease liabilities	32	**37,325,638**	35,251,162
Other liabilities	46	**238,046,664**	301,753,853
		10,039,601,724	12,576,672,689
Net current assets		**6,393,158,345**	5,231,714,929

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK$	2020 HK$
Non-current liabilities			
Bonds	*31*	**2,352,317,863**	–
Deferred tax liabilities	*27*	**18,767**	22,429
Amount due to the immediate holding company	*23*	**–**	2,286,899,000
Lease liabilities	*32*	**15,666,805**	52,992,444
		2,368,003,435	2,339,913,873
Net assets		**4,387,197,972**	3,347,104,333
Equity			
Share capital	*33*	**400,000,000**	400,000,000
Share premium		**3,379,895,424**	3,379,895,424
Accumulated loss		**(846,717,117)**	(886,810,756)
Other reserve		**11,577,844**	11,577,844
Capital reserve	*34*	**442,441,821**	442,441,821
Equity attributable to holders of the ordinary shares		**3,387,197,972**	3,347,104,333
Equity attributable to holders of other equity instruments	*35*	**1,000,000,000**	–
Total equity		**4,387,197,972**	3,347,104,333

The consolidated financial statements on pages 50 to 155 were approved and authorised for issue by the Board of Directors on 25 March 2022 and are signed on its behalf by:

Li Baochen
DIRECTOR

Zhang Chunjuan
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Equity attributable to owners of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Other reserve**	**Accumulated loss**	**Other equity instruments**	**Total equity**
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
	(Note 33)		*(Note 34)*			*(Note 35)*	
At 1 January 2020	400,000,000	3,379,895,424	442,441,821	11,577,844	(394,273,173)	–	3,839,641,916
Loss and total comprehensive income for the year	–	–	–	–	(492,537,583)	–	(492,537,583)
At 31 December 2020 and 1 January 2021	400,000,000	3,379,895,424	442,441,821	11,577,844	(886,810,756)	–	3,347,104,333
Profit and total comprehensive income for the year	–	–	–	–	40,093,639	–	40,093,639
Issue of perpetual securities *(note 35)*	–	–	–	–	–	1,000,000,000	1,000,000,000
At 31 December 2021	400,000,000	3,379,895,424	442,441,821	11,577,844	(846,717,117)	1,000,000,000	4,387,197,972

The notes on pages 50 to 155 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
OPERATING ACTIVITIES			
Profit/(loss) before taxation		**49,377,603**	(531,247,076)
Adjustments for:			
Finance costs	*7*	**187,871,898**	487,532,792
Depreciation of property and equipment	*9*	**42,338,233**	44,307,542
Amortisation of intangible assets	*9*	**5,145,124**	3,088,438
Impairment losses on financial assets	*9*	**95,493,470**	368,491,609
Fair value changes of interest held by third-party unitholders/ shareholders of consolidated investment funds	*9*	**(18,639,172)**	(22,236,173)
Share of result of a joint venture		**20,060,274**	(3,840,787)
Operating cash flows before movements in working capital		**381,647,430**	346,096,345
Decrease/(increase) in statutory deposits		**1,488,736**	(24,788,635)
Decrease in deposits, other receivables, prepayments and other assets		**193,702,694**	870,449,161
Decrease in financial assets at fair value through profit or loss		**3,107,446,825**	1,109,614,756
Decrease in accounts receivable		**1,869,302,311**	1,692,660,595
Decrease in reverse repurchase agreements		**278,061,861**	537,869,468
Increase in bank balances – trust accounts		**(953,718,443)**	(1,464,550,332)
Increase in accounts payable		**773,272,443**	601,404,991
Decrease in accruals and other payables		**(70,588,837)**	(6,883,334)
Decrease in financial liabilities at fair value through profit or loss		**(86,212,463)**	(527,889,781)
Decrease in repurchase agreements		**(1,264,908,474)**	(204,129,565)
Increase in contract liabilities		**4,622,708**	247,591
Increase/(decrease) in amount due to related parties		**3,208,816**	(4,392,907)
Cash generated from operations		**4,237,325,607**	2,925,708,353
Tax paid		**(10,342,349)**	(68,522,238)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**4,226,983,258**	2,857,186,115
INVESTING ACTIVITIES			
Purchase of property and equipment	*14*	**(21,264,039)**	(4,529,937)
Purchase of intangible assets	*15*	**(1,079,183)**	(7,915,450)
NET CASH USED IN INVESTING ACTIVITIES		**(22,343,222)**	(12,445,387)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 HK$	2020 HK$
FINANCING ACTIVITIES	42		
Interest paid		**(171,431,290)**	(506,457,552)
Bank borrowings raised		**46,224,144,990**	51,459,549,368
Repayments of bank borrowings		**(49,514,144,990)**	(57,379,549,368)
Other borrowings raised		**4,303,792**	4,023,489,227
Repayments of other borrowings		**(769,615,240)**	(3,452,567,221)
Proceeds from issue of notes		**–**	69,769,800
Redemption of notes		**(69,769,800)**	(31,014,800)
Proceeds from issue of bonds		**2,333,859,046**	–
Redemption of bonds		**–**	(2,131,332,500)
Capital element of lease rentals paid		**(35,251,163)**	(32,492,751)
Interest element of lease rentals paid		**(2,888,132)**	(2,534,633)
Contributions from third-party unitholders/shareholders of consolidated investment funds		**30,640,827**	128,836,418
Withdrawals from third-party unitholders/shareholders of consolidated investment funds		**(75,708,844)**	(351,061,701)
Loan from the immediate holding company		**13,953,500**	2,286,899,000
Proceeds from issue of other equity instruments		**1,000,000,000**	–
NET CASH USED IN FINANCING ACTIVITIES		**(1,031,907,304)**	(5,918,466,713)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,172,732,732**	(3,073,725,985)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,286,224,348**	5,359,950,333
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**5,458,957,080**	2,286,224,348
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances – general accounts and cash	22	**5,458,957,080**	2,286,224,348
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE			
Interest received		**490,193,995**	785,042,572
Dividend received		**8,916,885**	13,038,502

The notes on pages 50 to 155 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 21 July 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The shares of the Company have been listed in GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 20 October 2016. On 3 January 2019, the Company has successfully transferred the shares listed on GEM of the Stock Exchange to the Main Board of the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in debt and equity securities (see note 2(k));

– derivative financial instruments (see note 2(k)); and

– net assets attributable to third-party unit holder/shareholders' interests in consolidated investment funds (see note 2(k)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, but possesses the practical ability to direct the relevant activities of the investee, the Group considers all relevant facts and circumstances in assessing whether or not the Group has power over the investee, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

When the Group, which is acting as a fund manager, manages and has an investment in a fund, it may determine that its decision-making powers over the relevant activities of the fund are exercised in the capacity of an agent of the investors as a group and, therefore, that it does not control the fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether it is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Different weightings shall be applied by the Group to each of the factors on the basis of particular facts and circumstances unless a single party holds substantive rights to remove the decision maker (removal rights) and can remove the decision maker without cause.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity. Consequently, investment funds managed by the Group are considered as "structured entities".

The Group serves as the investment manager of investment funds. These investment funds invest mainly in equities, debt securities and cash and cash equivalents. The Group's percentage ownership in these structured entities can fluctuate from day to day according to the Group's and third-party participation in them. Where the Group is deemed to control such investment funds, with control determined based on an analysis of the guidance in HKFRS 10 *Consolidated financial statements*, they are consolidated, with the interests of parties other than the Group being classified as liabilities because there is a contractual obligation for the relevant group entity as an issuer to repurchase or redeem units/shares in such investment funds for cash. These are presented as "Third-party interests in consolidated structured entities" within other liabilities in the consolidated statement of financial position, if any.

(e) Investment in a joint venture

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 a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. 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 notes 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in 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 any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(k)).

Unrealised profits and losses resulting from transactions between the Group and its 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Investment in a joint venture *(Continued)*

If an investment in an joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have 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(k)).

In the Company's statement of financial position, investment in a joint venture is stated at cost less impairment losses (see note 2(i)).

(f) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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 in paragraph 63 of HKFRS 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue from contracts with customers *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Details of the Group's performance obligations for revenue for contracts with customers resulting from application of HKFRS 15 are set out in note 5.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand- alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue from contracts with customers *(Continued)*

Variable consideration *(Continued)*

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Commission income arising from broking business of securities, and futures and option contracts dealings is recorded as income on a trade-date basis;

(ii) Commission income arising from insurance brokerage business is recognised as income in accordance with the terms of underlying agreements when the relevant significant acts have been completed, generally at the effective date of the applicable insurance policies;

(iii) Corporate advisory fee and sponsor fee, asset management fee, investment advisory fee, custodian and handling fee income and arrangement fee income are recognised when the Group has fulfilled its obligations under the respective contracts. Depending on the nature of the services and the contract terms, corporate advisory fee and sponsor fee are recognised in profit or loss over time using a method that depicts the Group's performance, or at point in time when the service is completed;

(iv) Commission income arising from placing, underwriting and sub-underwriting is recognised as income when the Group has fulfilled its obligations in accordance with the terms of the agreements;

(v) Realised profits or losses from financial assets/financial liabilities at fair value through profit or loss ("FVTPL") and derivatives are recognized on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses of financial assets/financial liabilities at FVTPL and derivatives are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments;

(vi) Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)); and

(vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)):

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of equipment, including right-of-use assets arising from leases of underlying equipment (see note 2(q)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvement	Over the lease term
Motor vehicles	12.5%
Furniture and fixtures	20%
Computer equipment	20% – 33.3%
Properties leased for own use	Over the lease term

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Intangible assets *(Continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	3 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gain or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

(i) Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amounts individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment losses on tangible and intangible assets *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro- rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(j) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that including a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the gross carrying amount of a financial asset or the amortised cost of a financial liability.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The unrealised gain or loss is determined as the change in the fair values of the financial asset between the reporting period, whilst realised gain is determined as difference between the transaction price and the fair value at the prior period-end. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net investment income and gains or losses" line item.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, reverse repurchase agreements, deposits and other receivables, bank balances and loan commitment). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable that result from transactions within the scope of HKFRS 15. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(i) Significant increase in credit risk *(Continued)*

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for secured margin loans where a shorter period of 30 days past due has been applied by the directors in view of the nature of business operation and practice in managing the credit risk), unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts receivable, reverse repurchase agreements, deposits and other receivables and bank balances are each assessed as a separate group);

- Past-due status; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

(vi) Financial guarantee contracts held

Financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the original or modified terms of a debt instrument. A contract is classified as a financial guarantee contract when the following conditions are satisfied:

– The reference obligation is a debt instrument

– The holder is compensated only for a loss that it incurs

– The contract does not compensate the holder for more than the actual loss that it incurs.

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

– the guarantee is implicitly part of the contractual terms of the debt instrument;

– the guarantee is required by laws and regulations that govern the contract of the debt instrument;

– the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

– the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial asset'.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset other than equity investment, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognised as profit distribution at the time of declaration.

Financial liabilities at amortised cost

Financial liabilities not classified as at FVTPL (including amount due to related parties, accounts payable, bank borrowings, other borrowings, notes, repurchase agreements, contract liabilities, other liabilities, lease liabilities and other payables) are subsequently measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds

A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability. The financial instrument is a financial liability even when the amount of cash or other financial assets is determined on the basis that has the potential to increase or decrease. The existence of an option for the holder to put the instrument back to the issuer for cash or another financial asset means that the puttable instrument meets the definition of a financial liability.

Net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds are determined based on the attributable shares or units of the residual assets of the consolidated investment fund after deducting the consolidated investment fund's other liabilities.

As at year end, such financial liability of net assets attributable to third-party unit holders/shareholders' interests in consolidated investment funds is presented as an "other liabilities" in the consolidated statement of financial position.

In the case of acquisition or disposals of such non-controlling interests in consolidated investment funds, any difference between the acquisition cost or sale price of these non-controlling interests and the carrying value of these non-controlling interests is recognised as an increase or decrease in a liability which would be reflected in the consolidated statement of profit or loss.

Derecognition/substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position and continue to be recognised as "financial assets at FVTPL". The proceeds from selling such assets are presented as "Repurchase agreements" in the consolidated statement of financial position. Repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Reverse repurchase agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the consolidated statement of financial position. The cost of purchasing such assets is presented under "Reverse repurchase agreements" in the consolidated statement of financial position. Reverse repurchase agreements are measured at amortised cost as they are held for the collection of contractual cash flows which represent solely payments of principal and interest. Reverse repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(f)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(k).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Taxation

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

(q) Leased asset

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Leased asset *(Continued)*

As a lessee *(Continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see 2(g) and 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. 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 presents lease liabilities separately in the consolidated statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") as defined contribution benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) 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).

(ii) 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).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) 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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of its customers. These client securities arising thereon are excluded from the consolidated financial statements, as they are not assets of the Group.

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the "bank balances — trust and segregated accounts" within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The HKICPA has issued following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

Neither of these amendments to HKFRSs 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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying accounting policies *(Continued)*

Measurement of ECL

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

– Determining criteria for significant increase in credit risk;

– Selecting appropriate models and assumptions for the measurement of ECL;

– Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined in note 40. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information with significant judgements involved.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the appropriate model for each type of financial assets, as well as the assumptions used in these models. Please refer to note 40 for more details on ECL.

Key sources of estimation uncertainty

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Fair value measurement of financial instruments

Financial assets at FVTPL and financial liabilities at FVTPL amounting to HK$743,969,178 and HK$1,066,372 respectively as at 31 December 2021 (2020: HK$89,289,683 and HK$2,608,596 respectively) are measured at fair values with fair values being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 40 for further disclosures.

Measurement of ECL

Impairment assessment under ECL for accounts receivable (except for secured margin loans)

The Group uses a provision matrix to calculate ECL for the accounts receivable (except for secured margin loans) that result from transactions within the scope of HKFRS 15. The provision rates are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in note 40.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Measurement of ECL *(Continued)*

Impairment assessment under ECL for financial assets at amortised cost other than accounts receivable (including secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances)

The impairment assessment under ECL for financial assets at amortised cost (including secured margin loans, reverse repurchase agreements, deposits, other receivables and bank balances) is an area that requires the use of models and assumptions about future economic conditions and the credit risk of the respective financial instrument.

(i) Inputs, assumptions and estimation techniques
ECL is the discounted product of expected future cash flows by using the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD"), of which PD and LGD are estimates based on significant management judgement.

(ii) Forward-looking information
In measuring ECL in accordance with HKFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

Details of the impairment assessment of financial assets at amortised cost is disclosed in note 40.

Income taxes

Deferred tax asset of HK$125,596,740 (2020: HK$124,000,338) has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$761 million as at 31 December 2021 (2020: HK$747 million) for subsidiaries that are expected to have taxable profits in the future. No deferred tax asset was recognised for the deductible temporary differences of estimated unused tax losses of approximately HK$583 million (2020: approximately HK$411 million and approximately HK$213 million arising from the unrealised loss of financial assets at FVTPL) in respect of subsidiaries where it is not probable that sufficient profits will be generated. Details of the tax losses and the deferred tax are disclosed in note 27.

5. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

Revenue

	2021 HK$	2020 HK$
Commission and fee income from customers		
Brokerage:		
Commission and fee income from securities brokerage	**191,890,547**	163,516,796
Commission and fee income from futures and options brokerage	**17,326,795**	19,713,674
Commission income from insurance brokerage	**1,600,925**	1,738,678
	210,818,267	184,969,148
Corporate finance:		
Commission on placing, underwriting and sub-underwriting		
– Debt securities	**50,776,112**	50,184,052
– Equity securities	**4,618,264**	9,315,890
Corporate advisory fee income	**2,965,476**	3,245,430
Sponsor fee income	**1,956,376**	8,750,000
Arrangement fee	**22,304,453**	57,783,463
	82,620,681	129,278,835
Asset management:		
Asset management fee income	**28,489,935**	25,527,301
Investment advisory fee income	**4,611,847**	3,890,735
	33,101,782	29,418,036
	326,540,730	343,666,019
Interest revenue		
Loans and financing:		
Interest income from margin financing	**95,611,566**	150,832,693
	95,611,566	150,832,693
Financial products and investments:		
Interest income from reverse repurchase agreements	**10,744,657**	58,756,322
	106,356,223	209,589,015

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue *(Continued)*

	2021 HK$	2020 HK$
Net investment income and gains or losses		
Financial products and investments:		
Interest income from financial assets at fair value through profit or loss	**261,610,580**	468,847,379
Dividend income from financial assets at fair value through profit or loss	**8,911,838**	15,038,786
Net realised gain on financial assets at fair value through profit or loss	**69,106,968**	75,017,160
Net unrealised loss on financial assets at fair value through profit or loss	**(111,130,310)**	(451,686,634)
Interest income from derivatives	**8,037,051**	7,056,956
Net realised gain/(loss) on derivatives	**2,528,914**	(65,668,916)
Net unrealised (loss)/gain on derivatives	**(174,042)**	4,753,922
Net realised (loss)/gain on financial liabilities at fair value through profit or loss	**(27,146,814)**	954,750
Net unrealised loss on financial liabilities at fair value through profit or loss	**(8,270,429)**	(30,868,266)
	203,473,756	23,445,137
Total revenue	**636,370,709**	576,700,171

Timing of revenue recognition for commission and fee income from customers

	2021 HK$	2020 HK$
A point in time	**287,277,964**	298,633,368
Over time	**39,262,766**	45,032,651
Total	**326,540,730**	343,666,019

Performance obligations for commission and fee income from customers

(1) Brokerage

The Group provides broking and dealing services for securities, futures and options contracts. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. The Group also provide handling service for securities, futures and options customer accounts. Fee income is recognised when the transaction is executed.

The Group provides custodian services for securities, futures and options customer accounts. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time.

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

(1) Brokerage *(Continued)*

The Group also provides placement services for insurance and wealth products to customers. Commission income is recognised at a point in time when the placement is completed and is calculated at a certain percentage of the premium paid for certain period of the insurance and wealth products.

(2) Corporate finance

The Group provides placing, underwriting or sub-underwriting services to customers for their fund raising activities in equity and debt capital markets, and also structured products arrangement services. Revenue is recognised when the relevant placing, underwriting, sub-underwriting or structured products arrangement activities are completed. Accordingly, the revenue is recognised at a point in time.

The Group also provides sponsoring services to clients for their fund raising activities and corporate advisory services to corporate clients for their corporate actions. The Group considers that all the services promised in a particular contract of being a sponsor or corporate advisor are interdependent and interrelated and should be therefore accounted for as a single performance obligation. As there is enforceable right to payment for the Group for the performance of services completed up to date based on the contracts with customers regarding sponsor or corporate advisory services, the revenue is recognised over time.

(3) Asset management

The Group provides asset management and investment advisory services on diversified and comprehensive investment products to customers. The customers simultaneously receive and consume the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group. Investment advisory fee income is charged at a fixed amount per month for managing the investment portfolio of each client.

The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

Transaction price allocated to the remaining performance obligation for contracts with customers

The following table shows the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partly unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	2021 **HK$**	2020 HK$
Within one year	**15,100,000**	10,000,000

5. REVENUE AND OTHER INCOME *(Continued)*

Performance obligations for commission and fee income from customers *(Continued)*

Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

This amount represents revenue expected to be recognised in the future from the contracts for sponsoring services. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 months.

Other Income

	2021	2020
	HK$	HK$
Interest income from financial institutions	**28,142,289**	99,784,500
Sundry income	**3,244,065**	10,880,467
	31,386,354	110,664,967

6. SEGMENT REPORTING

Information reported to the Board of Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. The CODM considers the Group's operations are located in Hong Kong.

The Group's reportable and operating segments under HKFRS 8 are as follows:

Brokerage – provision of securities, futures and options and insurance brokerage services;

Loans and financing – provision of margin financing and secured or unsecured loans to customers;

Corporate finance – provision of corporate advisory, sponsor, placing and underwriting services of debt and equity securities and structured products arrangement services;

Asset management – provision of fund management, discretionary account management and investment advisory services;

Financial products and investments – proprietary trading and investment of funds, debt and equity securities, fixed income, derivatives and other financial products.

The accounting policies of the operating segments are the same as the Group's accounting policies. Inter-segment revenues are charged among segments at an agreed rate with reference to the rate normally charged to third party customers, the nature of services or the costs incurred.

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2021

	Brokerage HK$	Loans and financing HK$	Corporate finance HK$	Asset management HK$	Financial products and investments HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	210,818,267	95,611,566	82,620,681	33,101,782	10,744,657	–	432,896,953
Net gains on financial products and investments	–	–	–	–	203,473,756	–	203,473,756
Inter-segment revenue	296,366	–	–	24,014,591	–	(24,310,957)	–
Segment revenue and net gains on financial products and investments	211,114,633	95,611,566	82,620,681	57,116,373	214,218,413	(24,310,957)	636,370,709
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							636,370,709
Segment results	84,678,069	(78,928,780)	32,966,676	3,547,564	16,397,839	–	58,661,368
Unallocated expenses							(9,283,765)
Profit before taxation presented in the consolidated statement of profit or loss and other comprehensive income							49,377,603
Other segmental information included in the measure of segment results							
(Reversal)/changes of impairment losses on financial assets	(131,442)	95,940,759	–	(444,217)	128,370	–	95,493,470
Depreciation	27,627	–	–	–	–	–	27,627
Unallocated:							42,310,606
							42,338,233
Amortisation	3,122,530	–	–	–	–	–	3,122,530
Unallocated:							2,022,594
							5,145,124
Interest income	19,356,800	95,611,566	20,199	21,491	289,035,367	–	404,045,423
Unallocated:							100,720
							404,146,143
Interest expenses	298,926	27,447,215	–	–	178,805,629	–	206,551,770
Unallocated:							(18,679,872)
							187,871,898
Dividend income	–	–	–	–	8,911,838	–	8,911,838

6. SEGMENT REPORTING *(Continued)*

For the year ended 31 December 2020

	Brokerage HK$	Loans and financing HK$	Corporate finance HK$	Asset management HK$	Financial products and investments HK$	Eliminations HK$	Consolidated HK$
Segment revenue and result							
Revenue from external customers	184,969,148	150,832,693	129,278,835	29,418,036	58,756,322	–	553,255,034
Net gains on financial products and investments	–	–	–	–	23,445,137	–	23,445,137
Inter-segment revenue	1,085,172	–	–	47,394,508	–	(48,479,680)	–
Segment revenue and net gains on financial products and investments	186,054,320	150,832,693	129,278,835	76,812,544	82,201,459	(48,479,680)	576,700,171
Revenue presented in the consolidated statement of profit or loss and other comprehensive income							576,700,171
Segment results	101,492,721	(404,601,544)	73,249,100	4,220,151	(279,185,690)	–	(504,825,262)
Unallocated expenses							(26,421,814)
Loss before taxation presented in the consolidated statement of profit or loss and other comprehensive income							(531,247,076)
Other segmental information included in the measure of segment results							
(Reversal)/changes of impairment losses on financial assets	(1,677)	367,846,067	–	1,425,311	(778,092)	–	368,491,609
Depreciation	27,256	–	–	–	–	–	27,256
Unallocated:							44,280,286
							44,307,542
Amortisation	2,480,384	–	–	–	–	–	2,480,384
Unallocated:							608,054
							3,088,438
Interest income	56,271,694	150,832,693	355,738	3,090	566,287,587	–	773,750,802
Unallocated:							11,527,048
							785,277,850
Interest expenses	494,367	99,969,831	–	–	327,199,835	–	427,664,033
Unallocated:							59,868,759
							487,532,792
Dividend income	–	–	–	–	15,038,786	–	15,038,786

6. SEGMENT REPORTING *(Continued)*

Geographical information

For the years ended 31 December 2021 and 2020, the Group's revenue from external customers are all derived from activities in Hong Kong based on the location of services delivered and the Group's non-current assets excluding financial instruments are all located in Hong Kong by physical location of assets. As a result, no geographical segment information is presented for both years.

Information about major customers

The largest customer and largest 5 customers contribute approximately 4.2% and 16.5% respectively (2020: 3.5% and 11.1% respectively) to the Group's revenue from external customers during the year ended 31 December 2021.

7. FINANCE COSTS

	2021 HK$	2020 HK$
Interest on bank borrowings	**41,800,455**	254,872,121
Interest on bonds	**44,344,568**	73,996,070
Interest on other borrowings	**5,019,308**	17,241,648
Interest on repurchase agreements	**26,658,711**	71,171,455
Interest on secured margin loans from brokers	**182,201**	454,318
Interest on notes	**273,513**	311,372
Interest on clients' account	**153,310**	380,107
Interest on financial liabilities at fair value through profit or loss	**68,585**	188,688
Interest on lease liabilities	**2,888,132**	2,534,633
Interest on amount due to the immediate holding company	**66,483,115**	66,382,380
	187,871,898	487,532,792

8. COMMISSION AND FEE EXPENSES

	2021 HK$	2020 HK$
Sales commission paid to account executives	**15,912,213**	24,625,378
Commission and fee paid to brokers	**22,015,510**	17,190,806
Others *(note)*	**26,608,395**	49,105,276
	64,536,118	90,921,460

Note: Amount includes the sub-management fees, custodian fees, scrip fee, clearing fee and other handling fee.

9. PROFIT/(LOSS) BEFORE TAXATION

	2021 HK$	2020 HK$
Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Staff costs (including directors' emoluments and five highest paid employees' emoluments) *(note a)*	**159,927,725**	169,962,057
Salaries and bonuses	**156,504,024**	166,113,413
Contribution to the MPF Scheme	**3,103,006**	3,405,662
Other staff costs	**320,695**	442,982
Auditor's remuneration	**1,800,000**	1,750,000
Legal and professional fee	**6,351,578**	16,658,126
Amortisation of intangible assets	**5,145,124**	3,088,438
Depreciation of property and equipment	**42,338,233**	44,307,542
Telephone and postage	**4,364,646**	4,312,710
Maintenance fee	**22,791,461**	25,814,004
Transportation expenses	**4,635,948**	3,229,758
Entertainment expenses	**3,476,112**	2,900,928
Impairment losses on financial assets	**95,493,470**	368,491,609
Change of impairment losses on secured margin loans *(note c)*	**95,940,759**	367,846,067
(Reversal)/change of impairment losses on accounts receivable (except for secured margin loans)	**(528,875)**	1,194,560
Change/(reversal) of impairment losses on reverse repurchase agreements	**128,370**	(778,092)
(Reversal)/change of impairment losses on bank balances – trust accounts	**(46,784)**	229,074
Other gains or losses	**(75,712,803)**	(55,063,772)
Exchange gains net	**(57,073,631)**	(32,827,599)
Other gains *(note b)*	**(18,639,172)**	(22,236,173)

Notes:

(a) Staff and directors' bonuses are discretionary and determined with reference to the Group's and the individual's performance.

(b) Included in other gains is the net gain of consolidated investment funds attributable to third-party unit holders/shareholders of HK$18,639,172 (2020: net gain of HK$22,236,173). See note 46.

(c) According to the assessment of the expected credit loss model, impairment losses on secured margin loans of HK$95,940,759 (2020: HK$367,846,067) were made for the year, including (i) impairment losses recognised of HK$184,075,525 (2020: HK$371,619,445); net of (ii) reversal of impairment losses of HK$89,920,559 (2020: HK$36,517,721); and (iii) impairment losses upon the derecognition of guarantees amounted to HK$1,785,793 (2020: impairment losses upon the decognition of guarantees amounted to HK$32,744,343).

10. TAXATION

	2021 HK$	2020 HK$
Hong Kong Profit Tax:		
Current year	**596,000**	1,574,092
Under/(over)-provision in prior year	**5,744,606**	(104,520)
	6,340,606	1,469,572
Deferred Tax:		
Current year	**2,943,358**	(40,179,065)
	9,283,964	(38,709,493)

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

The provision for Hong Kong Profits Tax for 2021 is taken into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2020-21 subject to a maximum reduction of $10,000 for each business (2020: a maximum reduction of $20,000 was granted for the year of assessment 2019-20 and was taken into account in calculating the provision for 2020).

The tax expense/(credit) for the years ended 31 December 2021 and 2020 can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$	2020 HK$
Profit/(loss) before taxation	**49,377,603**	(531,247,076)
Notional tax on profit/(loss) before taxation, calculated at 16.5% (2020: 16.5%)	**8,147,305**	(87,655,767)
Tax effect of expenses not deductible for tax purpose	**11,989,385**	13,462,983
Tax effect of income not taxable for tax purpose	**(6,497,861)**	(17,457,169)
Tax at concessionary tax rate of 8.25% (2020: 8.25%)	**(165,000)**	(165,000)
Tax effect of deductible temporary difference not previously provided for	**(36,384,430)**	35,111,060
Tax effect of tax losses not recognised	**30,350,589**	28,865,599
Utilisation of tax losses previously not recognised	**(2,743,541)**	(8,795,303)
Under/(over)-provision in prior years	**5,744,606**	(104,520)
Others	**(1,157,089)**	(1,971,376)
Tax expense /(credit) for the year	**9,283,964**	(38,709,493)

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the years ended 31 December 2021 and 2020, the emoluments paid or payable by the Group are as follows:

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ *(note b)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2021						
Li Baochen *(note a and c)*	–	2,921,447	–	3,044,800	–	5,966,247
Wang Xiang *(note a and c)*	–	2,073,857	–	279,330	–	2,353,187
Zeng Yanxia *(note a and c)*	–	1,833,857	–	269,870	–	2,103,727
Zhang Chunjuan *(note a and c)*	–	1,965,857	–	2,193,500	–	4,159,357
Huang Yilin *(note e)*	–	–	–	–	–	–
Hong Ying *(note d)*	250,000	–	–	–	–	250,000
Tian LI *(note d)*	250,000	–	–	–	–	250,000
Qin Shuo *(note d)*	220,000	–	–	–	–	220,000
	720,000	8,795,018	–	5,787,500	–	15,302,518

	Fees HK$	Salaries and allowances HK$	Benefits in kind HK$	Discretionary bonus HK$ *(note b)*	Retirement benefit schemes contributions HK$	Total HK$
For the year ended 31 December 2020						
Li Baochen *(note a and c)*	–	2,684,504	–	2,284,500	–	4,969,004
Huang Jinguang *(note a and c)*	–	657,281	–	–	–	657,281
Wang Xiang *(note a and c)*	–	2,204,230	–	–	–	2,204,230
Zeng Yanxia *(note a and c)*	–	1,964,230	–	–	–	1,964,230
Zhang Chunjuan *(note a and c)*	–	1,844,230	–	392,400	–	2,236,630
Huang Yilin *(note e)*	–	–	–	–	–	–
Hong Ying *(note d)*	250,000	–	–	–	–	250,000
Tian LI *(note d)*	250,000	–	–	–	–	250,000
Qin Shuo *(note d)*	220,000	–	–	–	–	220,000
	720,000	9,354,475	–	2,676,900	–	12,751,375

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(a) No retirement benefit schemes contributions was paid or payable by the Group to Mr. Li Baochen, Mr. Wang Xiang, Ms. Zeng Yanxia and Ms. Zhang Chunjuan during the years ended 31 December 2021 and 2020 and Mr. Huang Jinguang during the year ended 31 December 2020 as they are also employees of the ultimate holding company and the cost of retirement benefit scheme contribution is borne by the ultimate holding company.

(b) The discretionary bonus of directors or chief executive of the Company was determined by the management of the ultimate and intermediate holding companies and by reference to the Group's financial performance and the directors' and the chief executive's duties, responsibilities and individual performance within the Group.

(c) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(d) The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

(e) The remuneration of Mr. Huang Yilin for the years ended 31 December 2021 and 2020 was borne by the ultimate holding company and there is no basis of allocation of their remuneration between the ultimate holding company and the Group.

(b) Highest paid individuals

The five individuals with the highest emoluments in the Group included two directors of the Company for the year ended 31 December 2021 (2020: One) and details of whose emoluments are included in the disclosure above. The emoluments of the remaining three individuals for the year ended 31 December 2021 (2020: Four) are as below:

	2021 **HK$**	2020 HK$
Employees		
– salaries and allowances	**7,697,000**	9,992,000
– discretionary bonuses	**9,106,400**	11,793,000
– retirement benefit schemes contributions	**54,000**	72,000
	16,857,400	21,857,000

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Highest paid individuals *(Continued)*

Their emoluments were within the following bands:

	Number of employees 2021	2020
HK$4,500,001 to HK$5,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$5,500,001 to HK$6,000,000	**2**	1
HK$6,500,001 to HK$7,000,000	**–**	1
	3	4

During the year ended 31 December 2021, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees), as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). None of the directors waived any emoluments during both years.

12. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2021 HK$	2020 HK$
2020 Final – HK$Nil (2020: 2019 Final – HK$Nil) per share	**–**	–

Subsequent to the end of the reporting period, the directors of the Company did not recommend any payment of final dividend in respect of the year ended 31 December 2021 (2020: did not recommend any payment of final dividend in respect of the year ended 31 December 2020) and is subject to approval by the shareholders in the forthcoming general meeting.

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to ordinary equity holders of the Company is based on the following data:

	2021 HK$	2020 HK$
Earnings/(loss) (HK$)		
Earnings/(loss) for the purpose of basic earnings/(loss) per share:		
Profit/(loss) for the year attributable to ordinary equity holders of the Company	**40,093,639**	(492,537,583)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**4,000,000,000**	4,000,000,000

For each of the years ended 31 December 2021 and 2020, there were no potential ordinary shares in issue, thus no diluted earnings/(loss) per share is presented.

14. PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement	Furniture and fixtures	Computer equipment	Other properties leased for own use carried at cost	Total
	HK$	HK$	HK$	HK$	HK$
Cost					
At 1 January 2020	31,221,984	1,801,061	32,331,452	44,042,009	109,396,506
Additions	3,859,350	43,500	627,087	107,331,859	111,861,796
At 31 December 2020	35,081,334	1,844,561	32,958,539	151,373,868	221,258,302
Additions	17,605,321	788,641	2,870,077	–	21,264,039
At 31 December 2021	52,686,655	2,633,202	35,828,616	151,373,868	242,522,341
Depreciation					
At 1 January 2020	(24,913,105)	(718,731)	(23,043,539)	(31,198,809)	(79,874,184)
Charge for the year	(7,019,561)	(339,902)	(3,185,597)	(33,762,482)	(44,307,542)
At 31 December 2020	(31,932,666)	(1,058,633)	(26,229,136)	(64,961,291)	(124,181,726)
Charge for the year	(3,752,332)	(351,183)	(2,687,885)	(35,546,833)	(42,338,233)
At 31 December 2021	(35,684,998)	(1,409,816)	(28,917,021)	(100,508,124)	(166,519,959)
Carrying values					
At 31 December 2021	17,001,657	1,223,386	6,911,595	50,865,744	76,002,382
At 31 December 2020	3,148,668	785,928	6,729,403	86,412,577	97,076,576

14. PROPERTY AND EQUIPMENT *(Continued)*

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2021 HK$	31 December 2020 HK$
Other properties leased for own use, carried at depreciated cost	**50,865,744**	86,412,577

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 HK$	2020 HK$
Depreciation charge of right-of-use assets	**35,546,833**	33,762,482
Interest on lease liabilities *(note 7)*	**2,888,132**	2,534,633

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 22(a) and 32, respectively.

The lease typically runs for 2-3 years.

15. INTANGIBLE ASSETS

	Software	Trading rights	Total
	HK$	HK$	HK$
Cost:			
At 1 January 2020	11,974,485	1,000,000	12,974,485
Additions	7,915,450	–	7,915,450
At 31 December 2020	19,889,935	1,000,000	20,889,935
Additions	1,079,183	–	1,079,183
At 31 December 2021	20,969,118	1,000,000	21,969,118
Amortisation			
At 1 January 2020	(6,076,666)	–	(6,076,666)
Charge for the year	(3,088,438)	–	(3,088,438)
At 31 December 2020	(9,165,104)	–	(9,165,104)
Charge for the year	(5,145,124)	–	(5,145,124)
At 31 December 2021	(14,310,228)	–	(14,310,228)
Carrying values			
At 31 December 2021	6,658,890	1,000,000	7,658,890
At 31 December 2020	10,724,831	1,000,000	11,724,831

Intangible assets include trading rights in the Stock Exchange and the Hong Kong Futures Exchange Limited with indefinite useful life and the using rights of software with finite life.

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

16. INTEREST IN A JOINT VENTURE

Details of the Group's interest in a joint venture are as follows:

	2021 HK$	2020 HK$
Cost of investment in a joint venture	**40,032,960**	40,032,960
Share of post-acquisition loss	**(23,907,029)**	(3,846,755)
	16,125,931	36,186,205

Details of the Group's joint venture at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	**2021**	2020	
IS Investment Fund Segregated Portfolio Company – CIS New China Ever-Growing Fund Segregated Portfolio ("CISNCEF") *(note)*	Cayman Islands	Hong Kong	**66.95%**	66.95%	**50%**	50%	Investment trading

Note: As at 31 December 2021, the Group held the interest of participating shares of CISNCEF as disclosed above such that the participating shares provide the Group with the share of returns from CISNCEF. As at 31 December 2021, the Group and an independent third party act as co-manager of CISNCEF. Both parties jointly established an investment committee which comprises four members, with two from the Group and two from the independent third party. The investment committee is empowered to make all the key financing and operating decisions in CISNCEF and requires unanimous consent of all investment committee members. The arrangement of co-management is contractually agreed by both parties. As such, the interest of the Group in CISNCEF is classified as a joint venture. On 16 November 2021, the other co-investment manager filed a notice to the Group to resign as the co-investment manager of CISNCEF with effective from 1 January 2022. Therefore, the joint venture will become a subsidiary of the Group from this effective date.

The joint venture is an unlisted entity without quoted market price available.

There is no unfulfilled capital commitment to CISNCEF. As at 31 December 2021, the current carrying amount of HK$16.1 million (2020: HK$36.2 million) in the consolidated statement of financial position represents the Group's maximum exposure in CISNCEF.

16. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of a joint venture

Summarised financial information of CISNCEF, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	2021 HK$	2020 HK$
Current assets	**26,186,943**	56,964,094
Current liabilities	**(2,099,439)**	(2,912,310)
Net current assets and net assets	**24,087,504**	54,051,784
Included in the above assets and liabilities		
Cash and cash equivalents	**1,514,669**	1,457,821

	For the year ended 31 December 2021 HK$	For the year ended 31 December 2020 HK$
Investment (losses)/gains	**(29,964,280)**	4,487,674
Included in the above loss:		
Interest income	**14**	22

Reconciliation of the above summarised financial information to the carrying amount of the interest in CISNCEF recognised in the consolidated financial statements:

	2021 HK$	2020 HK$
Net assets of CISNCEF	**24,087,504**	54,051,784
Proportion of the Group's ownership interest in CISNCEF	**66.95%**	66.95%
	16,125,931	36,186,205

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$	2020 HK$
Equity securities		
– Listed in Hong Kong	**145,926,586**	124,351,852
– Listed outside Hong Kong	**100,116,954**	200,123,632
– Unlisted *(note a)*	**25,398,354**	82,391,034
Debt securities *(note b)*		
– Listed in Hong Kong	**2,826,566,690**	4,384,119,985
– Listed outside Hong Kong	**594,941,990**	937,408,369
– Unlisted	**1,015,414,392**	1,399,740,028
Funds		
– Unlisted	**200,507,796**	101,334,311
Convertible bonds		
– Unlisted	**–**	785,125,589
Forward contract *(note d)*	**–**	1,724,787
	4,908,872,762	8,016,319,587
Analysed as		
Current	**4,892,256,938**	7,965,083,925
Non-current *(note c)*	**16,615,824**	51,235,662
	4,908,872,762	8,016,319,587

Notes:

(a) For the years ended 31 December 2021 and 2020, the Group invested in an unlisted equity investment of which the principal business was in the telecommunication industry.

(b) Included in the portfolio of held for trading debt securities, the Group transferred debt securities, with a fair value of HK$1,115,652,535 at 31 December 2020, to non-bank financial institutions as collaterals to obtain borrowings. The transferred debt securities were not derecognised and are continued to be recognised on the consolidated statement of financial position at 31 December 2020 as the Group retains significant risks and rewards of the transferred debt securities. There was no such arrangement at 31 December 2021. Apart from this, there were arrangements to sell debt securities under a repurchase agreement during the year ended 31 December 2021 and 2020. Details of the arrangement are set out in notes 28 and 38.

(c) For the years ended 31 December 2021 and 2020, included in the non-current portion is an unlisted investment fund that the directors of the Group do not expect to realise within twelve months after the reporting period.

(d) For the year ended 31 December 2020, the Group entered into an agreement with third party to issue a structured note in February 2021 with a consideration of US$5.7 million.

18. REVERSE REPURCHASE AGREEMENTS

	2021 HK$	2020 HK$
Analysed by collateral type:		
Debt securities		
– Singapore stock exchange	**–**	239,477,730
– Unlisted	**120,767,482**	158,661,315
Unlisted equity securities	**90,320,955**	91,011,253
Less: impairment allowance	**(340,278)**	(211,908)
	210,748,159	488,938,390
Analysed as:		
Current	**120,712,083**	398,139,045
Non-current	**90,036,076**	90,799,345
	210,748,159	488,938,390

The reverse repurchase agreements are those repurchase agreements which the external investors entered into with the Group under which assets were sold to the Group with a concurrent commitment to purchase the specified securities from the Group at a future date of an agreed price. The resale prices are fixed and the Group is not exposed to substantially all the credit risks, market risks and rewards of those securities bought. These securities are not recognised in the consolidated financial statements but regarded as "collateral" because the external investors retain substantially all the risks and rewards of these securities. Accordingly, the Group recognises these as collateralised lending asset for the price paid to purchase the assets.

As at 31 December 2021, the fair value of the collaterals were HK$447,905,038 (2020: HK$872,713,334).

19. STATUTORY DEPOSITS

Statutory deposits represent deposits with clearing houses. They are non-interest bearing.

Non-current portion

In accordance with the rules of Central Clearing and Settlement System ("CCASS"), admission fee, basic contribution and dynamic contribution to the guarantee fund of a defaulting clearing participant will be used to offset its indebtedness arising in the course of dealing in securities as disclosed in note 41 in accordance with the rules of CCASS.

Under the arrangement with HKFE Clearing Corporation Limited ("HKCC"), the statutory deposit could be used to set off against accounts payable to HKCC.

The directors of the Company do not expect to realise the amounts within twelve months after the reporting period.

Current portion

In accordance with the rules of CCASS, the Group is required to provide to Hong Kong Securities Clearing Company Limited (the "HKSCC") deposits from time to time as determined by HKSCC, as the Group has become a China Connect Clearing Participant under the rules of CCASS since year 2014. Amounts will be used to offset the Group's indebtedness arising in the course of dealing in securities as disclosed in note 41 in accordance with the rules of CCASS.

20. DEPOSITS, OTHER RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2021 HK$	2020 HK$
Deposits *(note a)*	**130,773,878**	152,622,043
Other receivables *(note b)*	**17,899,486**	191,838,134
Prepayments	**5,275,973**	3,191,855
Other assets *(note c)*	**–**	1,785,793
	153,949,337	349,437,825
Analysed as:		
Current	**139,002,439**	332,617,739
Non-current	**14,946,898**	16,820,086
	153,949,337	349,437,825

Notes:

(a) As at 31 December 2021 and 2020, the amount mainly comprises of cash collaterals posted to banks and other financial institutions for total return swaps, sales and repurchase agreements and credit derivatives transaction.

(b) As at 31 December 2021, the balance included receivable from the redemption of an investment fund amounting to HK$0.3 million during the year. The amount has been subsequently settled in 2022.

As at 31 December 2020, the balance included receivable from the redemption of an investment fund amounting to HK$178 million during the year. The amount has been subsequently settled in 2021.

(c) Other assets represent compensation rights arising from financial guarantee contracts held by the Group. These guarantees are provided in respect of credit impaired margin loans after the origination of the loans and therefore are not determined as an integral element of the debt instruments. The compensation right is recognised when the Group recognises the related ECL as it is certain that the compensation will be received when enforced. Details of the ECL of the relevant margin loans are set out in note 40.

21. ACCOUNTS RECEIVABLE

	2021 HK$	2020 HK$
Accounts receivable arising from the business of dealing in securities:		
Secured margin loans	**1,641,156,797**	2,765,621,831
Less: impairment allowance	**(835,067,558)**	(740,912,592)
	806,089,239	2,024,709,239
Clearing houses	**199,656,455**	609,551,677
Cash clients	**109,270,792**	117,777,671
Brokers	**32,704,349**	42,646,443
Clients for subscription of new shares in IPO	**–**	274,018,530
Less: impairment allowance	**(332,591)**	(329,249)
	341,299,005	1,043,665,072
	1,147,388,244	3,068,374,311
Accounts receivable arising from the business of dealing in futures and options contracts:		
Clearing houses	**28,718,585**	18,610,148
Brokers	**154,488,402**	281,876,004
Less: impairment allowance	**–**	(88,000)
	183,206,987	300,398,152
Accounts receivable arising from the business of corporate finance	**6,930,769**	4,424,533
Accounts receivable arising from the business of asset management	**17,902,189**	5,961,061
Less: impairment allowance	**(1,493,961)**	(1,938,178)
	16,408,228	4,022,883
Accounts receivable arising from the business of financial products and investments:		
Brokers	**164,550,766**	104,193,516
	1,518,484,994	3,481,413,395

21. ACCOUNTS RECEIVABLE *(Continued)*

Secured margin loans

The Group provides customers with margin financing for securities transactions, which are secured by customers' securities held as collateral. The Group seeks to maintain strict control over its outstanding receivables, and rigorously monitors credit risks. To minimise exposure to credit risk, the Group evaluates customers' credit rating, financial background and repayment abilities. Management of the Group has set up credit limit for each individual customer, the application for which shall be subject to the Group's authorisation mechanism and submitted to the internal control department and senior management for approval. The maximum credit limit granted for each customer is based on the customer's creditworthiness, financial strength, the past collection statistic and the quality of related collateral. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group and other factors.

As at 31 December 2021 and 2020, the loans are repayable on demand subsequent to settlement date and are analysed as follows:

	2021 HK$	2020 HK$
Non credit-impaired secured margin loans		
– Gross amount	**544,283,253**	1,510,248,226
– Carrying amount	**538,852,654**	1,501,916,085
Credit-impaired secured margin loans		
– Gross amount	**1,096,873,544**	1,255,373,605
– Carrying amount	**267,236,585**	522,793,154
Market value of securities pledged in respect of all margin loans	**3,160,583,000**	8,756,853,000

Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the margin value of securities deposited.

The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. The Group had obtained margin clients' consent to pledge their securities collateral to secure banking facilities granted to the Group to finance the margin loan. As at 31 December 2021 and 2020, no bank borrowings were secured by charges over client's pledged securities.

During the years ended 31 December 2021 and 2020, no margin loans were granted to the directors of the Company and directors of the subsidiaries.

21. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans)

Except for secured margin loans, the normal settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The normal settlement terms of accounts receivable arising from the business of dealing in futures and options contracts are one day after trade date.

In respect of accounts receivable arising from the business of dealing in future and options contracts, under the settlement arrangement with HKCC (the clearing house), all open positions held at HKCC are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivable with HKCC. In accordance with the agreement with the brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Normal settlement terms of accounts receivable arising from the business corporate finance and asset management are determined in accordance with the agreed terms, usually within one year after the service was provided.

Normal settlement terms of accounts receivable arising from brokers arising from the business of financial products and investments are determined in accordance with the agreed terms which are normally two to five days after the trade date.

The following is an aging analysis of gross accounts receivable arising from the business of corporate finance and asset management based on date of invoice at the reporting date:

Corporate finance clients

	2021 HK$	2020 HK$
Less than 31 days	**3,427,483**	422,502
31–60 days	**2,788,715**	1,124,069
61–90 days	**313,985**	1,627,962
91–180 days	**400,586**	1,250,000
Over 180 days	**–**	–
	6,930,769	4,424,533

21. ACCOUNTS RECEIVABLE *(Continued)*

Accounts receivable (except for secured margin loans) *(Continued)*

Asset management clients

	2021 **HK$**	2020 HK$
Less than 31 days	**4,183,563**	1,941,120
31–60 days	**2,206,800**	671,293
61–90 days	**2,257,808**	544,145
91–180 days	**2,546,737**	953,008
Over 180 days	**6,707,281**	1,851,495
	17,902,189	5,961,061

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 41.

22. BANK BALANCES – TRUST ACCOUNTS/GENERAL ACCOUNTS AND CASH

The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

The general accounts held by the Group comprise current and saving deposits held by the Group at prevailing market interest rate and bank deposits bearing interest at commercial rate with original maturity of three months or less.

(a) Total cash outflow for leases

	2021 **HK$**	2020 HK$
Within operating cash flows	**–**	–
Within investing cash flows	**–**	–
Within financing cash flows	**38,139,295**	35,027,384

These amount relate to lease rentals paid.

23. AMOUNT DUE TO RELATED PARTIES

The Group had the following balance with related parties at the end of each reporting period:

	2021 HK$	2020 HK$
Amount due to the immediate holding company *(note a)*	**2,300,852,500**	2,286,899,000
Amount due to Industrial Securities (Shenzhen) *(note b)*	**4,560,326**	1,351,510
	2,305,412,826	2,288,250,510
Analysed as:		
Current	**2,305,412,826**	1,351,510
Non-current	**–**	2,286,899,000
	2,305,412,826	2,288,250,510

Notes:

(a) Amount due to Industrial Securities (Hong Kong) Financial Holdings Limited, the immediate holding company, represents an intercompany loan which is unsecured, repayable in 2022 and interest-bearing at a fixed rate.

(b) Amount due to Industrial Securities Consultancy Service (Shenzhen) Company Limited ("Industrial Securities (Shenzhen)"), a fellow subsidiary, was mainly arising from the consultancy services provided by Industrial Securities (Shenzhen), which is unsecured, non-interest bearing and repayable on demand.

24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$	2020 HK$
Held for trading		
Short position in listed equity securities	**11,010,000**	13,620,000
Credit derivatives *(note a)*	**1,066,372**	2,608,596
	12,076,372	16,228,596
Designated at fair value through profit or loss		
Unlisted issued structured products *(note b)*	**53,319,705**	135,311,359
	65,396,077	151,539,955
Analysed as:		
Current	**65,396,077**	151,539,955
Non-current	**–**	–
	65,396,077	151,539,955

24. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

(a) For the year ended 31 December 2021 and 2020, the Group held one credit derivative contract with a non-bank financial institution at a notional amount of USD130,000,000 of which the reference entity was within the banking sector in Hong Kong.

(b) As at 31 December 2021 and 2020, included in financial liabilities designated at FVTPL are the structured notes issued with the underlying investments relating to listed debt securities traded in the Stock Exchange and unlisted investment fund.

The risk of economic exposure on these structured products is primarily hedged using financial instruments classified as financial assets at FVTPL. These structured products are designated at FVTPL as the risks to which the Group is a contractual party are managed on a fair value basis as part of the Group's trading portfolio and the risk is reported to key management personnel on this basis.

The amount of change in fair values of the financial liabilities designated at FVTPL, during the year and cumulatively, attributable to changes in own credit risk was insignificant.

25. ACCOUNTS PAYABLE

	2021 **HK$**	2020 HK$
Accounts payable arising from the business of dealing in securities:		
Clearing house	**26,217,445**	33,721,689
Brokers	**6,534,819**	7,282,756
Clients	**4,340,712,723**	3,437,314,808
	4,373,464,987	3,478,319,253
Accounts payable arising from the business of dealing in futures and options contracts:		
Clients	**408,089,583**	534,574,034
Accounts payable arising from the business of financial products and investments:		
Brokers	**4,624,402**	13,242
	4,786,178,972	4,012,906,529

25. ACCOUNTS PAYABLE *(Continued)*

In respect of accounts payable arising from the business of dealing in securities, accounts payable to clearing house represent trades pending settlement arising from business of dealing in securities transactions which are normally two trading days after the trade date or at specific terms agreed with clearing house. The majority of the accounts payable to cash clients and margin clients are repayable on demand except where certain balances represent trades pending settlement or margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the amounts in excess of the required margin deposits and cash collateral stipulated are repayable on demand.

Accounts payable to brokerage clients (except certain balances arising from trades pending settlement) mainly include money held on behalf of clients at banks and at clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

In respect of accounts payable arising from the business of dealing in futures and options contracts, settlement arrangements with clients follow the same settlement mechanism with HKCC or brokers as disclosed in note 21 and profits or losses arising from mark-to-market settlement arrangement are included in accounts payables with clients. Accounts payable to clients arising from the business of dealing in futures and option contract are non-interest bearing.

The normal settlement terms of accounts payable arising from the business of dealing in securities for cash clients are two days after trade date and accounts payable arising from the business of dealing in futures contracts are one day after trade date. 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 the business.

In respect of accounts payable arising from the business of financial products and investments, accounts payable to brokers represent trades pending settlement which are normally determined in accordance with the agreed terms and which are normally two to five days after the trade date.

The Group has accounts payable arising from the business of dealing in securities of HK$78,718,717 due to the immediate holding company as at 31 December 2021 (2020: HK$78,718,717).

26. ACCRUALS AND OTHER PAYABLES

	2021 **HK$**	2020 HK$
Accrued charges *(note)*	**73,833,548**	154,278,089
Other payables	**27,839,434**	17,983,730
	101,672,982	172,261,819

Note: The amount mainly comprises of the accrued operating expenses including staff salary and bonus and also commission to accounts executives.

27. DEFERRED TAX ASSETS AND LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021	2020
	HK$	HK$
Deferred tax assets	**121,593,827**	124,540,847
Deferred tax liabilities	**(18,767)**	(22,429)
	121,575,060	124,518,418

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2021 and 2020:

	Unrealised gains/(loss)	**Tax loss**	**ECL provision**	**Accelerated tax depreciation**	**Bonus provision**	**Total**
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2020	(12,432,837)	94,843,736	3,270,571	(1,342,117)	–	84,339,353
Credit/(charge) to profit or loss *(note 10)*	12,432,837	29,156,602	(1,801,270)	390,896	–	40,179,065
At 31 December 2020	–	124,000,338	1,469,301	(951,221)	–	124,518,418
(Charge)/credit to profit or loss *(note 10)*	(9,388,066)	1,596,402	(500,983)	1,882,463	3,466,826	(2,943,358)
At 31 December 2021	(9,388,066)	125,596,740	968,318	931,242	3,466,826	121,575,060

Deferred tax asset has been recognised in the consolidated statement of financial position in relation to the estimated tax losses of approximately HK$761 million as at 31 December 2021 (2020: HK$747 million).

No deferred tax has been recognised in the consolidated statement of financial position in relation to the deductible temporary differences of estimated unused tax losses of approximately HK$583 million (2020: approximately HK$411 million and approximately HK$213 million arising from the unrealised loss of financial assets at FVTPL) as it is uncertain whether future taxable profits will be available.

28. REPURCHASE AGREEMENTS

	2021 HK$	2020 HK$
Analysed as:		
Current	**1,970,119,726**	3,235,028,200
Non-current	**–**	–
	1,970,119,726	3,235,028,200

As at 31 December 2021, debt securities which are classified as financial assets at FVTPL with carrying amount of HK$3,354,003,506 (2020: HK$4,150,281,975 and client securities amounting to HK$580,406,943) were sold under repurchase agreements with other financial institutions which the Group simultaneously agreed to repurchase these debt securities at the agreed date and price. Details of the arrangement are set out in note 38. The Group's repurchase agreements as at 31 December 2021 are at fixed interest rate of -0.75% to 0.65% per annum (2020: 0.35% to 3.5% per annum), repayable within 1 year (2020: 2 years).

29. BANK BORROWINGS

	2021 HK$	2020 HK$
Variable rate borrowings	**530,146,916**	3,823,475,258
Repayable within one year and contain a repayable on demand clause	**530,146,916**	3,823,475,258
Repayable within a period of more than one year but not exceeding two years	**–**	–
	530,146,916	3,823,475,258

The bank borrowings consist of loans borrowed by the Group from banks to facilitate investment and general working capital.

The interest rate of the Group's bank borrowings as at 31 December 2021 ranged from Hong Kong Interbank Offered Rate ("HIBOR") +1.75% to HIBOR+2.4% (2020: HIBOR+1.3% to HIBOR+2.4%).

At 31 December 2021, HK$530,000,000 (net of bank charge) (2020: HK$3,820,000,000) had been drawn under the aggregated banking facilities of HK$7,415,000,000 (2020: HK$8,940,000,000) of the Group. Industrial Securities provided letters of comfort to support the banking facilities of the Group amounting to HK$3,700,000,000 as at 31 December 2021 (2020: HK$5,000,000,000). Out of which HK$530,000,000 have been drawn as at 31 December 2021 (2020: HK$3,220,000,000).

No bank borrowings were secured by charges over clients' pledged securities as at 31 December 2021 and 2020.

30. OTHER BORROWINGS

	2021 HK$	2020 HK$
Borrowings associated with transferred assets *(as disclosed in note 38)*	–	766,958,032

The interest rate of the Group's other borrowings as at 31 December 2020 is at fixed interest rate of 1.15% to 3.20% per annum. The other borrowings are repayable within one to two years and contain a repayable on demand clause. As at 31 December 2020, client securities amounting to HK$120,159,100 and financial assets amounting to HK$1,115,652,535 have been pledged to other borrowings as set out in note 38.

31. NOTES AND BONDS

During the year ended 31 December 2020, the Company's wholly-owned subsidiary issued notes with fixed interest rate of 1.3% per annum with a one year maturity which is guaranteed by the Company. The issued notes were repaid in 2021.

During the year ended 31 December 2021, the Company issued corporate bonds with fixed interest rate of 2% per annum with a three year maturity which is guaranteed by the Company's controlling shareholder.

32. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2021		31 December 2020	
	Present value of the minimum lease payment HK$	Total minimum lease payment HK$	Present value of the minimum lease payment HK$	Total minimum lease payment HK$
Within 1 year	37,325,638	38,139,294	35,251,162	38,139,294
After 1 but within 3 years	15,666,805	16,500,345	52,992,444	54,639,639
	52,992,443	54,639,639	88,243,606	92,778,933
Less: finance cost		(1,647,196)		(4,535,327)
Present value lease obligation		52,992,443		88,243,606

33. SHARE CAPITAL

Details of the movement of share capital for both years are as follows:

	Number of ordinary shares of HK$0.10 each	Share capital
		HK$
Authorised:		
As at 1 January 2020, 31 December 2020 and 31 December 2021	20,000,000,000	2,000,000,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 and 31 December 2021	4,000,000,000	400,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

34. CAPITAL RESERVE

As at 31 December 2021 and 2020, capital reserve represents the difference between 489,990,000 consideration shares at par value of HK$0.1 each issued by the Company and the consideration for the acquisition of the combined businesses pursuant to the Group reorganisation (as more fully explained in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the prospectus of the Company dated 30 September 2016 (the "Prospectus")).

35. OTHER EQUITY INSTRUMENTS

On 16 June 2021, the Company issued subordinated perpetual securities (the "Perpetual Securities") of HK$1,000,000,000 to its controlling shareholder, Industrial Securities (Hong Kong) Financial Holdings Limited with an initial distribution rate of 1.58% per annum. There is no maturity date for the Perpetual Securities. The Company has the sole and absolute discretion to defer any distributions. The Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of the Company and are classified as equity instruments and recorded as equity in the consolidated statement of financial position.

36. COMMITMENTS

Investment commitments

In the normal course of business, the Group had no investment commitments contracted as at 31 December 2021 (2020: Nil).

37. EMPLOYEE BENEFITS

Retirement Benefits Schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates (up to HK$1,500 per employee per month) specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The contributions paid to the schemes by the Group are disclosed in note 9.

38. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties. In some cases where these transfers may give rise to full derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

The Group transfers financial assets that are not derecognised in their entirety primarily through the sale of debt securities with concurrent total return swaps and sales and repurchase agreements.

(a) Other borrowings

The Group sells debt securities as well as places cash collateral together with the debt securities that are subject to concurrent total return swap. The Group retains substantially all the risks and rewards of ownership of the debt securities. Therefore, the Group continues to recognise the transferred securities in its consolidated statement of financial position. The transferred debt securities and the cash collateral serve as “collateral” to secure these liabilities. The proceeds received are recognised as liabilities under “other borrowings”. As at 31 December 2021, there are no other borrowings (2020: other borrowings were pledged by client securities amounting to HK$120,159,100 and financial assets amounting to HK$1,115,652,535).

38. TRANSFERRED FINANCIAL ASSETS *(Continued)*

(b) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a debt security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those debt securities sold. These debt securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these debt securities. The proceeds received on the transfer are recognised as liabilities under "repurchase agreements".

The following table sets out the carrying amounts of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

Analysed by liabilities type	**As at 31 December 2021**				
	Carrying amount of transferred assets			**Carrying amount of associated liabilities**	**Net position**
	Deposits – collateral paid HK$	**Financial assets at fair value through profit or loss HK$**	**Total HK$**	**HK$**	**HK$**
Repurchase agreements *(note 28)*	**33,464,261**	**3,354,003,506**	**3,387,467,767**	**1,970,119,726**	**1,417,348,041**

Analysed by liabilities type	As at 31 December 2020				
	Carrying amount of transferred assets			Carrying amount of associated liabilities	Net position
	Deposits – collateral paid HK$	Financial assets at fair value through profit or loss HK$	Total HK$	HK$	HK$
Repurchase agreements *(note 28)*	134,254,304	4,150,281,975	4,284,536,279	2,925,402,117	1,359,134,162
Other borrowing *(note 30)*	3,333,446	1,115,652,535	1,118,985,981	700,054,570	418,931,411

39. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of amount due to the immediate holding company, bank borrowings, other borrowings, notes and bonds as disclosed in notes 23, 29, 30 and 31, and equity attributable to owners of the Company (comprising issued share capital, other equity instruments, reserves and retained earnings) as follows:

	2021 **HK$**	2020 HK$
Amount due to the immediate holding company	**2,300,852,500**	2,286,899,000
Bank borrowings	**530,146,916**	3,823,475,258
Other borrowings	**–**	766,958,032
Notes	**–**	69,769,800
Bonds	**2,352,317,863**	–
Equity attributable to holders of the ordinary shares	**3,387,197,972**	3,347,104,333
Equity attributable to holders of other equity instruments	**1,000,000,000**	–
	9,570,515,251	10,294,206,423

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new share issues or bank borrowings. The Group's overall strategy remains unchanged throughout the years.

Several subsidiaries of the Group (the "Regulated Subsidiaries") are granted licenses by the Hong Kong Securities and Futures Commission (the "SFC") for the business they operate in. The Regulated Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Management of the Group closely monitors, on a daily basis, the Regulated Subsidiaries' liquid capital level to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Regulated Subsidiaries has no non-compliance of capital requirements imposed by the SF(FR)R throughout both years.

40. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 HK$	2020 HK$
Financial assets		
Amortised cost	**11,654,808,496**	9,966,704,717
Financial assets at fair value through profit or loss	**4,908,872,762**	8,016,319,587
Financial liabilities		
Financial liabilities at fair value through profit or loss	**303,442,741**	453,293,808
Amortised cost	**12,025,008,180**	14,302,615,665

Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, financial assets at FVTPL, reverse repurchase agreements, accounts receivable, deposits and other receivables, bank balances and cash, accounts payable, repurchase agreements, bank borrowings, other borrowings, notes, bonds, other liabilities, other payables and amount due to a fellow subsidiary and the immediate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with those financial instruments and the policies on how to mitigate these risks are set out below.

The Group's risk management objectives are to achieve a proper balance between risks and yield and minimise the adverse impact of risks on the Group's operating performance. Based on these risk management objectives, the Group's risk management strategy is to identify and analyse the various risks the Group is exposed to, and to establish an appropriate tolerance for risk management practice, so as to monitor, notify and respond to the risks regularly and effectively and to control risks at an acceptable level.

The risks that the Group is exposed to in its daily operating activities mainly include market risk (including currency exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group has established policies and procedures accordingly to identify and analyse the risks. The Group has set up appropriate risk indicators, risk limits, risk policies and internal control process.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

The Group's activities expose it primarily to the market risk of changes in interest rates, foreign currency risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt securities classified as financial assets at FVTPL. The Group currently does not have fair value hedging policy. The Group is also exposed to cash flow interest rate risk mainly from balances with banks, secured margin loans and bank borrowings carrying interests at prevailing market rates.

Management of the Group monitors the related interest rate exposure closely to ensure the interest rate risks are maintained at an acceptable level. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from the Group's respective HKD and USD denominated financial instruments.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest-bearing assets and liabilities. The analysis is prepared assuming interest-bearing assets and liabilities outstanding at the end of respective reporting period were outstanding for the whole year. When reporting to management of the Group on the interest rate risk, a 50 basis points ("bps") increase or decrease in the relevant interest rates will be adopted for sensitivity analysis, assuming all other variables were held constant, which represents a reasonably possible change in interest rates. Interest bearing bank deposit is not included in the sensitivity analysis for the decrease of interest rate as the bank deposit rate is at a low level and management of the Group considers such downward adjustment is unlikely. A positive number below indicates an increase in profit after taxation of the Group or vice versa.

	2021 **HK$**	2020 HK$
Profit after taxation for the year		
Increase by 50 bps	**14,612,458**	(28,863,245)
Decrease by 50 bps	**25,998,165**	52,243,231

In the management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as at the year end and exposure does not reflect the exposure during the year.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Foreign currency risk

The Group undertake certain transactions denominated in currencies other than its functional currencies, hence they are exposed to exchange rate fluctuation. The Group mitigates currency risk using cross-currency forward contracts to hedge movements in exchange rates where necessary.

The major foreign currency exposure of the Group in HKD equivalent is presented below:

	Assets		Liabilities	
	2021 HK$	2020 HK$	**2021 HK$**	2020 HK$
United States dollars ("USD")	**7,469,337,844**	10,808,270,886	**7,708,121,251**	7,846,434,785
Renminbi ("RMB")	**1,251,535,262**	700,569,773	**614,298,083**	235,472,452

Foreign currency sensitivity

The directors of the Company do not expect significant foreign exchange risk arising from USD denominated monetary items in view of the HKD pegged system to the USD. The following table details the Group's sensitivity to a 5% strengthening in RMB against HKD, translated at year-end date. 5% sensitivity rate represents management's assessment of a reasonably possible change in foreign exchange rates. For a 5% weakening in RMB against HKD, there would be an equal and opposite impact on the profit after taxation for the year.

	RMB impact	
	2021 HK$	2020 HK$
Increase in profit after taxation for the year	**26,605,000**	19,418,000

Other price risk

The Group is exposed to price changes arising from investments classified as financial assets at FVTPL.

The Group has established a multi-level management system for its financial products and investments business. The Board has set up the Investment Decision Committee for the purposes of formulating investment policies and guidelines, making major investment decisions and setting authorisation limits on investment managers in investment activities. The risk control team is responsible for monitoring the daily operations of its financial products and investments activities and to ensure compliance with its trading policies.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Compliance Department and the Internal Audit Department. The Group's exposures are closely monitored by the Finance Department and senior management on a daily basis and are measured on a "mark-to-market" basis. The Group's various proprietary trading activities are reported monthly to senior management for review.

The following table summarises the impact on changes in prices/unit prices of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss on the Group's profit after tax for the year:

2021

	Exposure	Impact on a 5% increases in price on profit after tax for the year	Impact on a 5% decreases in price on profit after tax for the year
Financial assets at fair value through profit or loss (except for foreign currency forward contracts and credit derivative)			
Listed equity securities and debt securities	3,649,061,653	182,453,083	(182,453,083)
Unlisted equity securities, debt securities, investment funds and convertible bonds	1,225,972,116	61,298,606	(61,298,606)
Financial liabilities at fair value through profit or loss (except for foreign currency exchange contracts and credit derivative)			
Unlisted structured financial products	53,319,705	(2,665,985)	2,665,985
Short position	11,010,000	(550,500)	550,500
Other liabilities (third parties unit holders of consolidated investment funds)	317,275,030	(15,863,751)	15,863,751
		224,671,453	(224,671,453)

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

2020

	Exposure	Impact on a 5% increases in price on loss after tax for the year	Impact on a 5% decreases in price on loss after tax for the year
Financial assets at fair value through profit or loss (except for foreign currency forward contracts and credit derivative)			
Listed equity securities and debt securities	5,579,547,884	278,977,394	(278,977,394)
Unlisted equity securities, debt securities, investment funds and convertible bonds	2,353,954,463	117,697,723	(117,697,723)
Financial liabilities at fair value through profit or loss (except for foreign currency exchange contracts and credit derivative)			
Unlisted structured financial products	128,956,253	(6,447,813)	6,447,813
Short position	13,620,000	(681,000)	681,000
Other liabilities (third parties unit holders of consolidated investment funds)	243,210,285	(12,160,514)	12,160,514
		377,385,790	(377,385,790)

The fair value of derivative financial instruments depends on the foreign currency exchange rate underlying investment linked index and credit spread of reference entities. If the foreign currency linked index or credit spread increased/decreased by 1 bps, profit after tax for the year ended 31 December 2021 would have an estimated HK$191,088 decrease/increase (loss after tax for the year ended 31 December 2020: HK$1,494,585 decrease/increase).

In management's opinion, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Other than the debt securities in the PRC and overseas, the Group's concentration of credit risk by geographical location is mainly in Hong Kong.

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position during the year. In addition, there was with a maximum exposure of approximately HK$1,091,930,000 (2020: HK$1,085,308,000) as the Group issued protection under certain credit instruments.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors consider that financial assets at FVTPL, reverse repurchase agreements, accounts receivable, other receivables and bank balances represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model. In this regard, the directors of the Company consider that the Group's credit risk is sufficiently managed.

The credit risk on bank balances is limited because the counterparties are with high credit ratings assigned by international credit-rating agencies. More than 75% of bank balances are deposited in reputable large commercial banks with credit rating of Baa2 or above issued by Moody's or BBB or above issued by Standards & Poor's.

The management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group would assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually.

As described in more details in note 21, the credit risk on accounts receivable is managed through daily monitoring of the outstanding exposures from individual clients, margin values and realisable values of individual client's securities. The Group has concentration of credit risk to ten largest securities margin clients' exposure representing 53% (2020: 50%) of the total loans to margin clients as at 31 December 2021. The balances due from the ten largest securities margin clients were approximately HK$426,081,000 (2020: HK$1,000,642,000), of which the amount is secured by clients' securities with an aggregate fair value of HK$1,505,733,000 (2020: HK$5,143,059,000). Apart from the exposures to ten largest margin clients' exposure mentioned above, the directors of the Company consider that the concentration of credit risk is limited due to the customer base being large and unrelated.

The credit risk for accounts receivable from clearing houses and brokers is considered as not material taking into account the good market reputations and high credit ratings of the counterparties.

The Group also invested in debt securities and other financial products which exposed it to credit risk. The management of the Group reviews on a regular basis the portfolio of the debt securities and other financial products to ensure that the concentration risk is at an acceptable level. The directors of the Company consider that the credit risk relating to the debt securities and other financial products is closely monitored.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table details the aggregate investment grade of debt securities and other financial products investment portfolio, which includes convertible bonds and unlisted collateralised loan obligation, held by the Group, as rated by well-known rating agencies.

	As at 31 December 2021	As at 31 December 2020
Portfolio by issuer rating		
Financial assets at fair value through profit or loss		
AAA to A-	**18.9%**	5.3%
BBB+ to BBB-	**17.1%**	31.1%
BB+ and below	**3.6%**	4.4%
Non-rated *(note)*	**60.4%**	59.2%
	100%	100.0%

Note: Non-rated financial assets mainly represent debts instruments and other financial products issued by special purpose entities, banks and other financial institutions and large corporations in the industries of industrial and construction, real estate, chemicals, metals and mining, transportation, and trade and retail.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Impairment assessment policies

The Group's policy requires the review of individual outstanding amounts at least monthly or more regularly depending on individual circumstances or market condition.

The risk management department is responsible for developing and maintaining the processes for measuring ECL, the impairment requirements under HKFRS 9. The ECL are assessed by the Group on quarterly basis. The Group applies simplified approach to measure ECL on accounts receivable (except for secured margin loans); and general approach to measure ECL on secured margin loans and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit-impaired and Stage 3: Lifetime ECL – credit-impaired.

Definition of Stage 1, Stage 2 and Stage 3 are as below:

Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

The measurement of ECL adopted by the management involves judgements, assumptions and estimations as follows:

- Determination of the criteria for significant increase in credit risk;
- Selection of the appropriate models and assumptions;
- Establishment of relative probability weightings for forward-looking scenarios.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Measurement of ECL

The ECL are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

PD represents an estimate of the likelihood of default of a borrower on its financial obligation over a given horizon, i.e. over the next 12 months or over the remaining lifetime. In 2021, for secured margin loans, the Group determines PD by using historical default rate (In 2020, for secured margin loans, the Group determines PD by the internal credit ratings and with reference to the appropriate external credit ratings assigned by international credit-rating agencies). For other financial assets at amortised cost, the external credit ratings and related PD are taken into consideration.

LGD represents an estimate of the loss on default. In 2021, for secured margin loans, LGD is determined based on factors including the realisation value of collateral and historical loss rate (In 2020, LGD is determined based on factors including the realisation value of collateral, the value of guarantee that is an integral part of the loan, and the estimated volatility). For other financial assets at amortised cost, LGD is determined based on assessed publicly available information from credit-rating agencies.

EAD represents the amounts expected to be owed at the time of default over the next 12 months or over the remaining lifetime taking into account expected changes in the exposure after the reporting date.

For financial instruments that are credit-impaired, the Group may also consider any other factors such as remedies available for recovery and the financial situation of the borrower.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and credit risk assessment, including forward-looking information. For secured margin loans, the number of days past due and loan-to-collateral value ("LTV") are used to determine significant increase in credit risk. For other financial assets, the number of days past due is used as determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Forward looking information

The estimation of credit loss under all stages is taking into consideration of forward looking information. The Group identifies the key economic driver impacting credit risk and ECL to be the growth rate of domestic GDP. The Group applied the probability weighted scenarios for incorporating the forward looking information. In 2021, the HK real GDP, HK CPI, HK unemployment rate, Hang Seng index and 3-month HIBOR has been used in determining the probability-weighting of each of the optimistic scenario, base case scenario and pessimistic scenario (In 2020, the growth rate of domestic GDP has been used in determining the probability-weighting of each of the optimistic scenario, base case scenario and pessimistic scenario). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Changes in parameters used in 2020 and 2021 do not result in a significant change in the ECL provision being recognised.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Accounts receivable (except for secured margin loans)	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources or payment has been overdue for more than 30 days (secured margin loans: LTV over 75% and margin call less than 30 days (2020: LTV over 85% and margin call less than 15 days))	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired or payment has been overdue for more than 90 days (secured margin loans: LTV over 100% and overdue for more than 30 days)	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2021 HK$	2020 HK$
Financial assets at amortised costs						
Reverse repurchase agreements	*18*	N/A	Low risk	12-month ECL	**211,088,437**	489,150,298
Secured margin loans	*21*	N/A	Low risk	12-month ECL	**517,830,760**	1,468,595,629
			Doubtful	Lifetime ECL (not credit impaired)	**26,452,493**	41,652,597
			Loss	Credit impaired	**1,096,873,544**	1,255,373,605
					1,641,156,797	2,765,621,831
Accounts receivable (except for secured margin loans)	*21*	N/A	*(Note 2)*	Lifetime ECL (not credit impaired)	**710,580,204**	1,454,822,929
				Lifetime ECL (credit-impaired)	**3,642,103**	4,236,654
					714,222,307	1,459,059,583
Bank balances – trust accounts	*22*	BBB or above	N/A	12-month ECL	**4,268,850,026**	3,315,131,583
Bank balances – general accounts and cash	*22*	BBB or above	N/A	12-month ECL	**5,458,957,080**	2,286,224,348
Deposits and other receivables	*20*	N/A	*(Note 1)*	12-month ECL	**148,673,364**	344,460,177

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	2021 Past due HK$	2021 Not past due/ Repayable on demand HK$	2021 Total HK$	2020 Past due HK$	2020 Not past due/ Repayable on demand HK$	2020 Total HK$
Deposits and other receivables	–	148,673,364	148,673,364	–	344,460,177	344,460,177

2. For accounts receivable (except for secured margin loans), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by aging status.

The Group's credit risk exposure of financial assets according to the stage of ECL for which an impairment allowance is recognised as follows:

As at 31 December 2021

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Reverse repurchase agreements				
Gross carrying amount	211,088,437	–	–	211,088,437
Loss allowance	(340,278)	–	–	(340,278)
Net carrying amount	210,748,159	–	–	210,748,159
Secured margin loans				
Gross carrying amount	517,830,760	26,452,493	1,096,873,544	1,641,156,797
Loss allowance	(4,894,031)	(536,568)	(829,636,959)	(835,067,558)
Net carrying amount	512,936,729	25,915,925	267,236,585	806,089,239
Bank balances – trust accounts				
Gross carrying amount	4,268,850,026	–	–	4,268,850,026
Loss allowance	(432,290)	–	–	(432,290)
Net carrying amount	4,268,417,736	–	–	4,268,417,736

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2020

	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Total HK$
Reverse repurchase agreements				
Gross carrying amount	489,150,298	–	–	489,150,298
Loss allowance	(211,908)	–	–	(211,908)
Net carrying amount	488,938,390	–	–	488,938,390
Secured margin loans				
Gross carrying amount	1,468,595,629	41,652,597	1,255,373,605	2,765,621,831
Loss allowance	(7,272,586)	(1,059,555)	(732,580,451)	(740,912,592)
Net carrying amount	1,461,323,043	40,593,042	522,793,154	2,024,709,239
Bank balances – trust accounts				
Gross carrying amount	3,315,131,583	–	–	3,315,131,583
Loss allowance	(479,074)	–	–	(479,074)
Net carrying amount	3,314,652,509	–	–	3,314,652,509

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for reverse repurchase agreements is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2019 and 1 January 2020	990,000	–	–	990,000
Impairment losses reversed	(778,092)	–	–	(778,092)
As at 31 December 2020 and 1 January 2021	211,908	–	–	211,908
Impairment losses recognised	128,370	–	–	128,370
As at 31 December 2021	340,278	–	–	340,278

Movement in the allowances for impairment for bank balances – trust accounts is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 31 December 2019 and 1 January 2020	250,000	–	–	250,000
Impairment losses recognised	229,074	–	–	229,074
As at 31 December 2020 and 1 January 2021	479,074	–	–	479,074
Impairment losses reversed	(46,784)	–	–	(46,784)
As at 31 December 2021	432,290	–	–	432,290

As at 31 December 2021, the Group measured the loss allowance for bank balances – trust accounts of Stage 1 amounting to HK$432,290 (2020: HK$479,074), which was contributed by the fixed deposits in the trust accounts with a gross carrying amount of HK$2,094.4 million (2020: HK$(1,728.1 million).

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for secured margin loans is as follows:

	Stage 1 12-month ECL HK$	Stage 2 Lifetime ECL HK$	Stage 3 Lifetime ECL HK$	Total HK$
As at 1 January 2020	15,229,222	4,434,423	386,147,223	405,810,868
Changes due to financial instruments recognised as at 1 January 2020:				
– Transfer to Stage 3	(2,100,139)	(4,214,619)	6,314,758	–
– Transfer to Stage 2	(236,132)	572,045	(335,913)	–
– Transfer to Stage 1	10,528,716	(57,208)	(10,471,508)	–
Impairment losses recognised	1,611,934	717,439	366,414,052	368,743,425
Impairment losses reversed	(18,048,772)	(392,525)	(18,076,424)	(36,517,721)
New financial assets originated or purchased	287,757	–	2,588,263	2,876,020
As at 31 December 2020 and 1 January 2021	7,272,586	1,059,555	732,580,451	740,912,592
Changes due to financial instruments recognised as at 1 January 2021				
– Transfer to Stage 3	(794,089)	(102,138)	896,227	–
– Transfer to Stage 2	(337,361)	337,361	–	–
– Transfer to Stage 1	1,204,577	–	(1,204,577)	–
Impairment losses recognised	1,108,637	199,205	181,678,702	182,986,544
Impairment losses reversed	(4,621,335)	(957,415)	(84,341,809)	(89,920,559)
New financial assets originated or purchased	1,061,016	–	27,965	1,088,981
As at 31 December 2021	4,894,031	536,568	829,636,959	835,067,558

The overall increase of the ECL allowance was HK$94.2 million (2020: HK$335.1 million) for the year ended 31 December 2021.

The movement was mainly driven by secured margin loans of Stage 3. Due to the fluctuation of the stock market, the collateral valuations fell short of the related margin accounts. Additional loss allowance of HK$181.7 million (2020: HK$369.0 million) was made for secured margin loans with a gross carrying amount of HK$1,096.9 million (2020: HK$1,255.4 million) at Stage 3.

This increase was partially set off by reversal of impairment losses for secured margin loans with a gross carrying amount of HK$1,318.5 million (2020: HK$1,435.4 million).

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group's credit risk exposure of accounts receivable (except for secured margin loans) for which an impairment allowance is recognised as follows based on simplified approach:

As at 31 December 2021

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	340,226,297	1,405,299	341,631,596
Loss allowance	(5,704)	(326,887)	(332,591)
Net carrying amount	340,220,593	1,078,412	341,299,005
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	183,206,987	–	183,206,987
Loss allowance	–	–	–
Net carrying amount	183,206,987	–	183,206,987
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	6,930,769	–	6,930,769
Loss allowance	–	–	–
Net carrying amount	6,930,769	–	6,930,769
Accounts receivable arising from the business of asset management			
Gross carrying amount	15,665,385	2,236,804	17,902,189
Loss allowance	–	(1,493,961)	(1,493,961)
Net carrying amount	15,665,385	742,843	16,408,228
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	164,550,766	–	164,550,766
Loss allowance	–	–	–
Net carrying amount	164,550,766	–	164,550,766
Total			
Gross carrying amount	710,580,204	3,642,103	714,222,307
Loss allowance	(5,704)	(1,820,848)	(1,826,552)
Net carrying amount	710,574,500	1,821,255	712,395,755

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

As at 31 December 2020

	Lifetime ECL (not credit-impaired) HK$	Lifetime ECL (credit-impaired) HK$	Total HK$
Accounts receivable arising from the business of dealing in securities (except for secured margin loans)			
Gross carrying amount	1,042,562,170	1,432,151	1,043,994,321
Loss allowance	(90,223)	(239,026)	(329,249)
Net carrying amount	1,042,471,947	1,193,125	1,043,665,072
Accounts receivable arising from the business of dealing in futures and options contracts			
Gross carrying amount	300,486,152	–	300,486,152
Loss allowance	(88,000)	–	(88,000)
Net carrying amount	300,398,152	–	300,398,152
Accounts receivable arising from the business of corporate finance			
Gross carrying amount	4,424,533	–	4,424,533
Loss allowance	–	–	–
Net carrying amount	4,424,533	–	4,424,533
Accounts receivable arising from the business of asset management			
Gross carrying amount	3,156,558	2,804,503	5,961,061
Loss allowance	(6,495)	(1,931,683)	(1,938,178)
Net carrying amount	3,150,063	872,820	4,022,883
Accounts receivable arising from the business of financial products and investments			
Gross carrying amount	104,193,516	–	104,193,516
Loss allowance	–	–	–
Net carrying amount	104,193,516	–	104,193,516
Total			
Gross carrying amount	1,454,822,929	4,236,654	1,459,059,583
Loss allowance	(184,718)	(2,170,709)	(2,355,427)
Net carrying amount	1,454,638,211	2,065,945	1,456,704,156

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Movement in the allowances for impairment for accounts receivable (except for secured margin loans) is as follows:

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$	HK$	HK$
As at 31 December 2019 and 1 January 2020	321,512	839,355	1,160,867
Impairment losses recognised	14,711	1,576,816	1,591,527
Impairment losses reversed	(151,505)	(245,462)	(396,967)
As at 31 December 2020 and 1 January 2021	184,718	2,170,709	2,355,427
Impairment losses recognised	–	87,861	87,861
Impairment losses reversed	(179,014)	(437,722)	(616,736)
As at 31 December 2021	5,704	1,820,848	1,826,552

Accounts receivable arising from the business of dealing in securities which are credit-impaired represent accounts receivable from cash clients when clients fail to settle according to settlement terms after taking into consideration the recoverability of collateral.

Accounts receivable arising from the business of asset management which are credit-impaired represent accounts receivable from asset management clients which have not yet been settled by clients over 1 year and the client encountered financial difficulty on the repayment.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from investment securities, which includes debt securities and convertible bonds held by the Group, is shown below.

	Notes	**2021 Financial assets at fair value through profit or loss HK$**	2020 Financial assets at fair value through profit or loss HK$
Carrying amount	*17*	**4,436,923,072**	7,506,393,971
Concentration by sector			
Banks		**701,304,300**	756,997,476
Other financial institutions		**580,589,031**	2,022,865,274
Insurance		**124,202,484**	–
Government		**30,530,411**	–
Corporate:		**3,000,296,846**	4,628,447,673
Real estate		**1,026,249,831**	2,171,754,692
Chemicals		**113,388,155**	572,377,234
Customer services		**461,431,198**	369,575,514
Home Furnishings		**–**	78,266,373
Industrial and construction		**757,400,126**	814,412,588
Information technology		**7,589,962**	–
Transportation		**140,711,802**	12,666,492
Utilities		**470,142,169**	609,394,780
Manufacturing		**15,567,958**	–
Metals and mining		**7,815,645**	–
Retail		**–**	98,083,548
		4,436,923,072	7,506,393,971
Concentration by location			
Mainland China		**2,092,834,914**	3,111,026,893
Europe		**88,801,880**	242,758,707
Hong Kong		**1,118,944,280**	3,148,663,684
Other parts in Asia		**84,857,123**	–
America		**1,051,484,875**	1,003,944,687
		4,436,923,072	7,506,393,971

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Other than concentration of credit risk on bank balances, amounts due from clearing houses and brokers, top ten margin clients' exposure described above, and debt securities investment, the Group had no significant concentration of credit risk by any single debtor, with exposure spread over a number of counterparties.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The directors of Company consider that the liquidity risk of the Group is remote because the Group has sufficient assets to repay the liabilities when demanded.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the earliest date on which the Group can be required to pay with taking into account the repayment on demand clause. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which 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. Bank borrowings, other borrowings and repurchase agreements with a repayment on demand clause and bank loans that do not meet covenant conditions are classified as current liabilities. The directors of the Company do not believe that it is probable the banks will exercise their discretionary rights to demand immediate repayment.

As at 31 December 2020, the aggregate undiscounted principal amounts of these bank borrowings, other borrowings and repurchase agreements of the Group amounted to HK$1,284,629,935. The maturity dates for other financial liabilities are based on the agreed repayment dates. The maturity analysis of bank borrowings, other borrowings and repurchase agreements without taking into account the repayment on demand clauses are shown below:

As at 31 December 2020

	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flow HK$	Carrying amount HK$
Repurchase agreements	2,754,791,091	141,646,022	357,447,278	3,253,884,391	3,235,028,200
Bank borrowings	3,725,631,909	100,804,131	–	3,826,436,040	3,823,475,258
Other borrowings	333,229,289	369,374,878	69,482,934	772,087,101	766,958,032

As at 31 December 2021, the maturity analysis of bank borrowings and repurchase agreements without taking into account the repayment on demand clause would be similar to the table below and no further analysis is presented.

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2021						
Accounts payable	N/A	4,786,178,972	–	–	4,786,178,972	4,786,178,972
Financial liabilities held for trading	N/A	12,076,372	–	–	12,076,372	12,076,372
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	53,319,705	–	53,319,705	53,319,705
Repurchase agreements (including interest payable)	0.42%	1,970,170,502	–	–	1,970,170,502	1,970,119,726
Bank borrowings (including interest payable)	2.56%	531,149,390	–	–	531,149,390	530,146,916
Lease liabilities	4%	3,178,274	34,961,020	16,500,345	54,639,639	52,992,443
Other payables	N/A	27,839,434	–	–	27,839,434	27,839,434
Amount due to a related party	N/A	4,560,326	–	–	4,560,326	4,560,326
Bonds	2%	–	47,446,958	2,392,366,633	2,439,813,591	2,352,317,863
Loan from the immediate holding company	2.90%	–	2,368,318,608	–	2,368,318,608	2,300,852,500
Other liabilities	N/A	238,046,664	–	–	238,046,664	238,046,664
Total		7,573,199,934	2,504,046,291	2,408,866,978	12,486,113,203	12,328,450,921

40. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand and less than one month HK$	More than 1 month to 1 year HK$	Over 1 year to 5 years HK$	Total contractual undiscounted cash flows HK$	Carrying amount HK$
At 31 December 2020						
Accounts payable	N/A	4,012,906,529	–	–	4,012,906,529	4,012,906,529
Financial liabilities held for trading	N/A	16,228,596	–	–	16,228,596	16,228,596
Financial liabilities designated at fair value through profit or loss (including interest payable)	N/A	–	135,311,359	–	135,311,359	135,311,359
Repurchase agreements (including interest payable)	1.20%	3,093,933,893	141,646,022	–	3,235,579,915	3,235,028,200
Bank borrowings (including interest payable)	2.43%	3,725,494,497	100,804,131	–	3,826,298,628	3,823,475,258
Other borrowings (including interest payable)	1.67%	400,132,751	369,374,878	–	769,507,629	766,958,032
Notes (including interest payable)	1.30%	–	70,182,302	–	70,182,302	69,769,800
Lease liabilities	4%	3,178,275	34,961,020	54,639,639	92,778,934	88,243,606
Other payables	N/A	17,983,730	–	–	17,983,730	17,983,730
Amount due to a related party	N/A	1,351,510	–	–	1,351,510	1,351,510
Loan from the immediate holding company	2.9%	–	66,320,071	2,353,219,071	2,419,539,142	2,286,899,000
Other liabilities	N/A	301,753,853	–	–	301,753,853	301,753,853
Total		11,572,963,634	918,599,783	2,407,858,710	14,899,422,127	14,755,909,473

Note: As mentioned in note 21, the Group has issued structured notes to third parties to transfer the cash flow of margin loans during the year ended 31 December 2019. The issued notes will expire in 2024 and the redemption price will be determined by the fair value of the underlying exposure upon expiry.

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurement of financial instruments

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

Level 3: Inputs are unobservable inputs for the asset or liability.

Fair value of the financial assets and financial liabilities that are not measured on a recurring basis

The fair value of financial assets and financial liabilities not measured at fair value on a recurring basis is estimated using discounted cash flow method.

The carrying amounts of the financial assets and financial liabilities not measured at fair value on a recurring basis approximate their fair values as at 31 December 2021 and 2020.

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables give information about how the fair values of financial assets and financial liabilities measured at fair value are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

	Fair value as at			
	31 December 2021 HK$	31 December 2020 HK$	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
1) Financial assets at fair value through profit or loss				
Equity securities				
– Traded on stock exchanges	**246,043,540**	324,475,484	Level 1	Quoted price in active markets
– Unlisted	**25,398,354**	82,391,034	Level 3	Market approach based on the Comparable Companies Method with the Price to Earnings and EV/EBITDA multiple of the comparable companies, with significant unobservable input of the discount rate for lack of marketability to the estimated equity value of the unlisted equity investment *(note a)*
Debt securities				
– Traded on stock exchanges and unlisted	**3,734,968,072**	6,671,046,403	Level 2	Quoted from brokers or market makers
– Unlisted	**–**	50,221,979	Level 2	Recent transaction price
– Unlisted	**701,955,000**	–	Level 3	Fair value of collaterals *(note b)*

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value as at			
	31 December 2021 HK$	31 December 2020 HK$	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
1) Financial assets at fair value through profit or loss (Continued)				
Convertible bonds				
– Unlisted	**–**	785,125,589	Level 2	Recent transaction price
Funds				
– Unlisted public	**119,908,326**	–	Level 1	Quoted price in active market
– Unlisted private	**63,983,646**	–	Level 2	Observable quoted price of underlying investment in active market
– Unlisted private	**16,615,824**	6,898,649	Level 3	NAV of fund provided by external counterparty *(note c)*
– Unlisted private	**–**	94,435,662	Level 2	Recent transaction price
Forward contract (with the underlying investment related to unlisted fund)	**–**	1,724,787	Level 2	Discounted cash flow model applying recent transaction price
	4,908,872,762	8,016,319,587		

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

	Fair value as at 31 December 2021 HK$	Fair value as at 31 December 2020 HK$	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Financial liabilities held for trading				
Short position in listed equity securities	**11,010,000**	13,620,000	Level 1	Quoted price in active market
Credit derivative	**1,066,372**	2,608,596	Level 3	Credit spread *(note d)*
	12,076,372	16,228,596		
3) Financial liabilities designated at fair value through profit or loss				
Unlisted structured products (with the underlying investment related to unlisted fund)	**53,319,705**	–	Level 2	Observable quoted price of underlying investments in active market
Unlisted structured product (with the underlying investment related to unlisted debt security)	**–**	135,311,359	Level 2	Observable quoted price of underlying investment from market makers
	53,319,705	135,311,359		

40. FINANCIAL INSTRUMENTS *(Continued)*

Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Notes:

(a) The unobservable input is the discount rate for lack of marketability with reference to the prices of listed securities when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the discount rate adopted in the valuation assessment, the lower the fair value would be resulted.

(b) The unobservable inputs are the fair value of collaterals. Due to limitation of public information, management has exercised significant judgement in determining the fair value of collaterals.

(c) The directors of the Company determined that the reported net asset value of the unlisted investment fund represents the fair value of the fund. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in positive relationship that the higher the reported net asset value adopted in the valuation assessment, the higher the fair value would be resulted.

(d) The unobservable input is the spread of the credit derivative with reference to the price of the underlying reference obligation and the spread is provided by the external counterparty, when determining its fair value. The directors of the Company considered that the relationship of unobservable inputs to the fair value of such investment is in negative relationship that the higher the spread adopted in the valuation assessment, the lower the fair value would be resulted.

There were no transfers between level 1 and level 2 in 2020 and 2021. The Group assumes all transfers took place at the end of the financial year.

40. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of level 3 fair value measurements

As at 31 December

	2021		2020	
	Financial liabilities at fair value through profit or loss HK$	**Financial assets at fair value through profit or loss HK$**	Financial liabilities at fair value through profit or loss HK$	Financial assets at fair value through profit or loss HK$
Opening balance	**(2,608,596)**	**89,289,683**	(8,460,016)	310,414,419
Additions	**–**	**–**	–	232,566,000
Transfer from Level 2 *(note a)*	**–**	**701,955,000**	–	–
Total unrealised gains/(loss) in profit or loss	**1,542,224**	**(47,275,505)**	5,851,420	(453,690,736)
Closing balance	**(1,066,372)**	**743,969,178**	(2,608,596)	89,289,683

Note:

(a) The fair value of the unlisted debt securities were determined with reference to the quoted price and therefore classified as Level 2 investment in the previous year. During the year ended 31 December 2021, the fair value of the unlisted debt securities were determined based on the fair value of collaterals which involved significant unobservable inputs. Thus, the instrument was transferred from Level 2 to Level 3 category. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Derivative financial instruments settled daily

	As at 31 December 2021		
	Notional amount HK$	**Fair value Assets HK$**	**Fair value Liabilities HK$**
Foreign currency exchange futures	**436,269,569**	**389,203**	**–**
Interest rate futures	**682,456,250**	**–**	**(4,635,375)**
Total	**1,118,725,819**	**389,203**	**(4,635,375)**
Less: settlement		**(389,203)**	**4,635,375**
Net position		**–**	**–**

40. FINANCIAL INSTRUMENTS *(Continued)*

Derivative financial instruments settled daily *(Continued)*

	As at 31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
	HK$	HK$	HK$
Foreign currency exchange futures	233,180,105	–	2,070,595
Interest rate futures	213,185,500	454,230	–
Total	446,365,605	454,230	2,070,595
Less: settlement		(454,230)	(2,070,595)
Net position		–	–

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in futures traded through CISI Futures, were settled daily with the broker. Accordingly, the net position of the above derivative contracts was nil as at 31 December 2021 and 2020.

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements

The disclosures set out in the table below include financial assets that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements and Global Master Repurchase Agreements ("GMRA") for total return swaps, foreign currency forward and sale and repurchase agreements.

The Group's total return swaps transactions and foreign currency forward that are not transacted on an exchange are entered into under ISDA Master Agreements. The Group's sale and repurchase transactions are covered by GMRA with netting terms similar to those of ISDA Master Agreements. The ISDA Master Agreements and GMRA do not meet the criteria for offsetting in the statements of financial position. However, they create a right of set-off of different contracts that is enforceable only following an event of default, insolvency and bankruptcy of the Group or the counterparties. In such circumstances, all outstanding contracts under the agreements are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all contracts.

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

In addition, the Group pledged collateral in the form of cash and/or securities in respect of its total return swaps transactions and sale and repurchase agreements. Such collateral is subject to the standard industry terms of ISDA Credit Support Annex or GMRA. Collateral pledged must be returned on maturity of the transactions.

Under the agreement of continuous net settlement between the Group and HKSCC and respective agreements between the Group and brokers, the Group has a legally enforceable right to set off money obligations receivable and payable with HKSCC and respective brokers on the same settlement date on a net basis. The Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statements of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

As at 31 December 2021

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	1,204,330,505	(56,942,261)	1,147,388,244	(89,187,672)	(824,795,338)	233,405,234
Debt securities pledged as collaterals for repurchase agreements (as disclosed in note 38)	3,354,003,506	–	3,354,003,506	(1,970,119,726)	–	1,383,883,780
Reverse repurchase agreements	210,748,159	–	210,748,159	–	(210,748,159)	–

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2021 *(Continued)*

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position — Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position — Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	**4,430,407,248**	**(56,942,261)**	**4,373,464,987**	**(89,187,672)**	**(15,268,321)**	**4,269,008,994**
Repurchase agreements	**1,970,119,726**	**–**	**1,970,119,726**	**(1,970,119,726)**	**–**	**–**

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

Financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar agreements *(Continued)*

As at 31 December 2020

	Gross amount of recognised financial assets HK$	Gross amount of recognised financial liabilities set off in the consolidated statement of financial position HK$	Net amounts of financial assets presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial assets						
Accounts receivable arising from the business of dealing in securities	3,208,027,636	(139,653,325)	3,068,374,311	(89,964,840)	(2,096,090,865)	882,318,606
Debt securities pledged as collaterals for repurchase agreements (as disclosed in note 38)	4,150,281,975	–	4,150,281,975	(2,925,402,117)	–	1,224,879,858
Debt securities pledged as collaterals for other borrowings (as disclosed in note 38)	1,115,652,535	–	1,115,652,535	(700,054,570)	–	415,597,965
Reverse repurchase agreements	488,938,390	–	488,938,390	–	(488,938,390)	–

	Gross amount of recognised financial liabilities HK$	Gross amount of recognised financial assets set off in the consolidated statement of financial position HK$	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$	Related amounts not set off in the consolidated statement of financial position: Financial instruments HK$	Related amounts not set off in the consolidated statement of financial position: Collateral received HK$	Net amount HK$
Financial liabilities						
Accounts payable arising from the business of dealing in securities	3,617,972,578	(139,653,325)	3,478,319,253	(89,964,840)	(22,547,959)	3,365,806,454
Repurchase agreements	3,235,028,200	–	3,235,028,200	(2,925,402,117)	(134,254,304)	175,371,779
Other borrowings	766,958,032	–	766,958,032	(700,054,570)	(3,333,446)	63,570,016

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds HK$ *(Note 31)*	Bank borrowings HK$ *(Note 29)*	Other borrowings HK$ *(Note 30)*	Notes HK$ *(Note 31)*	Financial liabilities at fair value through profit or loss HK$ *(Note 24)*	Repurchase agreements HK$ *(Note 28)*	Account payable HK$ *(Note 25)*	Other liabilities HK$ *(Note 47)*	Lease liabilities HK$ *(Note 32)*	Amount due to the immediate holding company HK$ *(Note 23)*	Total HK$
At 1 January 2021	–	3,823,475,258	766,958,032	69,769,800	151,539,955	3,235,028,200	4,012,906,529	301,753,853	88,243,606	2,286,899,000	14,736,574,233
Financing cash flow:											
– Borrowing raised	–	46,224,144,990	4,303,792	–	–	–	–	–	–	–	46,228,448,782
– Repayments of borrowings	–	(49,514,144,990)	(769,615,240)	–	–	–	–	–	–	–	(50,283,760,230)
– Redemption of notes	–	–	–	(69,769,800)	–	–	–	–	–	–	(69,769,800)
– Issuance of bonds	2,333,859,046	–	–	–	–	–	–	–	–	–	2,333,859,046
– Loan from the immediate holding company	–	–	–	–	–	–	–	–	–	13,953,500	13,953,500
– Interest paid	(25,885,751)	(45,128,797)	(6,665,892)	(273,513)	–	(26,658,711)	(335,511)	–	–	(66,483,115)	(171,431,290)
– Capital element of lease rentals paid	–	–	–	–	–	–	–	–	(35,251,163)	–	(35,251,163)
– Interest element of lease rental paid	–	–	–	–	–	–	–	–	(2,888,132)	–	(2,888,132)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	30,640,827	–	–	30,640,827
– Withdrawals from third-party unitholders of consolidated investment funds	–	–	–	–	–	–	–	(75,708,844)	–	–	(75,708,844)
Operating cash flow:											
– Change in financial liabilities at fair value through profit or loss	–	–	–	–	(86,212,463)	–	–	–	–	–	(86,212,463)
– Change in repurchase agreements	–	–	–	–	–	(1,264,908,474)	–	–	–	–	(1,264,908,474)
– Change in accounts payable	–	–	–	–	–	–	773,272,443	–	–	–	773,272,443
Fair value changes of interests held by third-party unitholders of consolidated investment funds	–	–	–	–	–	–	–	(18,639,172)	–	–	(18,639,172)
Finance cost	44,344,568	41,800,455	5,019,308	273,513	68,585	26,658,711	335,511	–	2,888,132	66,483,115	187,871,898
At 31 December 2021	2,352,317,863	530,146,916	–	–	65,396,077	1,970,119,726	4,786,178,972	238,046,664	52,992,443	2,300,852,500	12,296,051,161

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(Continued)

	Bonds HK$ *(Note 31)*	Bank borrowings HK$ *(Note 29)*	Other borrowings HK$ *(Note 30)*	Notes HK$ *(Note 31)*	Financial liabilities at fair value through profit or loss HK$ *(Note 24)*	Repurchase agreements HK$ *(Note 28)*	Account payable HK$ *(Note 25)*	Other liabilities HK$ *(Note 47)*	Lease liabilities HK$ *(Note 32)*	Amount due to the immediate holding company HK$ *(Note 23)*	Total HK$
At 1 January 2020	2,173,672,130	9,719,608,306	196,217,064	31,302,195	679,241,048	3,441,864,735	3,411,501,538	546,215,309	13,404,498	–	20,213,026,823
Financing cash flow:											
– Borrowing raised	–	51,459,549,368	4,023,489,227	–	–	–	–	–	–	–	55,483,038,595
– Repayments of borrowings	–	(57,379,549,368)	(3,452,567,221)	–	–	–	–	–	–	–	(60,832,116,589)
– Issuance of notes	–	–	–	69,769,800	–	–	–	–	–	–	69,769,800
– Redemption of notes	–	–	–	(31,014,800)	–	–	–	–	–	–	(31,014,800)
– Repaymentts of bonds	(2,131,332,500)	–	–	–	–	–	–	–	–	–	(2,131,332,500)
– Loan from the immediate holding company	–	–	–	–	–	–	–	–	–	2,286,899,000	2,286,899,000
– Interest paid	(116,335,700)	(231,005,169)	(17,422,686)	(598,767)	–	(73,878,425)	(834,425)	–	–	(66,382,380)	(506,457,552)
– Capital element of lease rentals paid	–	–	–	–	–	–	–	–	(32,492,751)	–	(32,492,751)
– Interest element of lease rental paid	–	–	–	–	–	–	–	–	(2,534,633)	–	(2,534,633)
– Contribution from third-party unitholders/shareholders of consolidated investment funds	–	–	–	–	–	–	–	128,836,418	–	–	128,836,418
– Withdrawals from third-party unitholders of consolidated investment funds	–	–	–	–	–	–	–	(351,061,701)	–	–	(351,061,701)
Operating cash flow:											
– Change in financial liabilities at fair value through profit or loss	–	–	–	–	(527,889,781)	–	–	–	–	–	(527,889,781)
– Change in repurchase agreements	–	–	–	–	–	(204,129,565)	–	–	–	–	(204,129,565)
– Change in accounts payable	–	–	–	–	–	–	601,404,991	–	–	–	601,404,991
Fair value changes of interests held by third-party unitholders of consolidated investment funds	–	–	–	–	–	–	–	(22,236,173)	–	–	(22,236,173)
Finance cost	73,996,070	254,872,121	17,241,648	311,372	188,688	71,171,455	834,425	–	2,534,633	66,382,380	487,532,792
Other non-cash movements	–	–	–	–	–	–	–	–	107,331,859	–	107,331,859
At 31 December 2020	–	3,823,475,258	766,958,032	69,769,800	151,539,955	3,235,028,200	4,012,906,529	301,753,853	88,243,606	2,286,899,000	14,736,574,233

43. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the notes to the consolidated financial statements, the Group had the following material transactions with related parties.

(a) Compensation of key management personnel

Other than the directors' emoluments disclosed in note 11(a), the remuneration of other members of key management during the years ended 31 December 2021 and 2020 was as follows:

	2021 HK$	2020 HK$
Short-term benefits	**35,923,071**	34,080,267
Post-employment benefits	**183,000**	156,000

(b) Right of trading of RMB denominated securities in the PRC

During the years ended 31 December 2021 and 2020, the Group invests in RMB denominated securities in the PRC using the approved quota under the PRC RMB Qualified Foreign Institutional Investor program of the immediate holding company for consideration of HK$1 per annum.

(c) Consultancy services from a fellow subsidiary

Pursuant to service agreement entered into between the Company and Industrial Securities (Shenzhen), dated 27 September 2016 (the "Service Agreement"), Industrial Securities (Shenzhen) agreed to provide consultancy services to the Company, including the provision of consultancy service on economic information, and assisting the Company in collecting and analysing information on macroeconomics, industry news and market information in the PRC, at cost, plus a mark up of 6%. On 3 April 2018, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement"), pursuant to which the Company required broader services from Industrial Securities (Shenzhen) including provision of services and support to the Group's clients in core regions in the PRC, brand establishment and promotion and provision of cross-border information technology support. During the year ended 31 December 2021, the Company paid a consultancy service fee of HK$29,789,119 (2020: HK$15,780,454) under the Service Agreement. Details of the Service Agreement and the Supplemental Service Agreement are set out in section headed "Connected Transactions" in the Prospectus and in the announcement dated 3 April 2018 respectively.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) entered into a supplemental service agreement (the "Supplemental Service Agreement 2021"), pursuant to which, Industrial Securities (Shenzhen) will provide the new services to the Group: (i) logistics management services to the Group, including but not limited to provision of client visits, answering customer service calls, and financial settlement services; (ii) information consultancy services (excluding licensing information consultancy services), including but not limited to the provision of consultancy services on economic information and delivery and consultancy services on business information; (iii) corporate management services, including but not limited to personnel training services; (iv) software development services; and (v) information technology consultancy services, including but not limited to the provision of cross-border information technology support.

On 3 November 2021, the Company and Industrial Securities (Shenzhen) renewed the Service Agreement (as amended by the Supplement Service Agreement 2021) (the "Renewal Service Agreement") for a further term of three years from 1 January 2022 to 31 December 2024. Details of the Supplemental Service Agreement 2021 and the Renewal Service Agreement are set out in the announcement dated 3 November 2021.

43. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Right of use of trademark

During the years ended 31 December 2021 and 2020, the Group was granted by the immediate holding company a non-transferable and non-assignable license to use its registered trademarks for the Group's business and any related businesses for consideration of HK$1 per annum.

(e) Investment management and advisory services to the Industrial Securities Group

On 3 November 2021, the Company and Industrial Securities entered into the master agreement (the "Master Agreement"), pursuant to which the Group conditionally agreed that it will provide the investment management and advisory services to the Industrial Securities Group for a term of three years from 1 January 2022 to 31 December 2024. No such services were provided by the Group for the year ended 31 December 2021 and 2020. Details of the Master Agreement are set out in the announcement dated 3 November 2021.

44. SUBSIDIARIES

The particulars of the Group's subsidiaries and consolidated investment funds are as follows:

Name of subsidiary	Place of incorporation	Place of operation	Issued and fully paid up share capital	Equity attributable to the Group at 31 December		Principal activities
				2021	2020	
				%	%	
Directly owned						
China Industrial Securities International Brokerage Limited	Hong Kong	Hong Kong	HK$3,500,000,000	**100**	100	Securities dealing and broking and securities margin financing
China Industrial Securities International Futures Limited	Hong Kong	Hong Kong	HK$50,000,000	**100**	100	Futures and options contracts broking
China Industrial Securities International Capital Limited	Hong Kong	Hong Kong	HK$50,000,000	**100**	100	Corporate finance services
China Industrial Securities International Asset Management Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Advising on securities and asset management services
China Industrial Securities International Investment Limited	Hong Kong	Hong Kong	HK$20,000,000	**100**	100	Investment holding
China Industrial Securities International Wealth Management Limited	Hong Kong	Hong Kong	HK$1,000,000	**100**	100	Wealth management services
Indirectly owned						
CISI Investment Limited	British Virgin Islands	Hong Kong	US$2,500,000	**100**	100	Investment trading
CISI Capital Management Limited	British Virgin Islands	Hong Kong	US$1	**100**	100	Investment holding

44. SUBSIDIARIES *(Continued)*

Name of investment fund	Place of incorporation	Place of operation	Class of share	Effective interest holding at 31 December 2021 %	Effective interest holding at 31 December 2020 %	Principal activities
Indirectly owned						
IS Investment Fund Segregated Portfolio Company – CIS Resources Fund Segregated Portfolio ("CISRF") *(note a)*	Cayman Islands	Hong Kong	Participating	**100**	100	Investment trading
IS Investment Fund Segregated Portfolio Company – CISI Stable Growth Bond Fund Segregated Portfolio ("CISISF") *(note a)*	Cayman Islands	Hong Kong	Participating	**80.19**	89.35	Investment trading
IS Investment Fund Segregated Portfolio Company – WVCIS Value Growth Fund Segregated Portfolio ("CISWF") *(note a)*	Cayman Islands	Hong Kong	Participating	**45.76**	44.46	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS The Belt and Road PE Fund I ("CISBF") *(note a)*	Cayman Islands	Hong Kong	Participating	**50**	50	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS Multi-Tranche Money Market Fund SP ("CISMM") *(note a)*	Cayman Islands	Hong Kong	Participating	**–**	61.86	Investment trading
IS Investment Fund Segregated Portfolio Company – CIS Alpha-H Fund SP ("Alpha-H") *(note a)*	Cayman Islands	Hong Kong	Participating	**–**	73.81	Investment trading
Bo Run Segregated Portfolio Company – China Real Estate Stable Income Fund SP6 ("Bo Run") *(note b)*	Cayman Islands	Hong Kong	Participating	**–**	100	Investment trading
IS Investment Fund Segregated Portfolio Company – CISI Pioneer Selection Fund SP ("Pioneer") *(note a)*	Cayman Islands	Hong Kong	Participating	**100**	–	Investment trading

Notes:

(a) China Industrial Securities International Asset Management Limited, a wholly-owned subsidiary of the Group, holds all management shares of IS Investment Fund Segregated Portfolio Company ("IS IFSPC"). China Industrial Securities International Asset Management Limited has been appointed as an investment manager of CISRF, CISISF, CISWF, CISBF, CISMM, Alpha-H and Pioneer under IS IFSPC. The Group holds significant participating shares in the above mentioned funds. The directors of the Company are of the opinion that CISRF, CISSF, CISWF and CISBF are regarded as consolidated structured entities of the Group as the Group is able to exercise control over its operation and has significant variable financial interests as at 31 December 2021 and 2020. During the year ended 31 December 2021, the Group has fully redeemed the participating shares in CISMM and Alpha-H and therefore lost control over these structured entities. During the year ended 31 December 2021, the group have acquired 100% participating shares of Pioneer and therefore obtained control over this structured entity.

(b) During the year ended 31 December 2021, the Group disposed Bo Run. Details of the disposal is disclosed in note 45.

45. DISPOSAL OF A CONSOLIDATED STRUCTURED ENTITY

During the year ended 31 December 2021, the Group disposed of one consolidated structured entity, Bo Run. The net assets of Bo Run at the date of disposal were as follows:

Consideration received

	HK$
Cash	3,000,000

Analysis of assets and liabilities over which control was lost

	HK$
Financial assets at fair value through profit or loss	–
Other payables	(799,717)
Bank balance	1,262,534
Net assets disposed of	462,817

Gain on disposal

	HK$
Consideration received	3,000,000
Net assets disposed of at the date of disposal	(462,817)
Gain on disposal	2,537,183

Net cash inflow arising on disposal

	HK$
Consideration received	3,000,000
Less: bank balances disposed of	(1,262,534)
	1,737,466

46. INTERESTS IN CONSOLIDATED STRUCTURED ENTITIES

The Group had consolidated certain structured entities including investment funds. For the investment funds where the Group involves as manager and also as investor, the Group assesses whether the combination of funds it held together with its remuneration creates exposure to variability of returns from the activities of the investment funds that is of such significance that it indicates that the Group is a principal. During the year ended 31 December 2021, profit contributed by the consolidated investment funds (excluding third party interests as stated below), were HK$6,292,447 (2020: loss of HK$255,388,959). As at 31 December 2021, the total assets and total liabilities (excluding third party interests as stated below) of the consolidated investment funds, were HK$1,300,112,713 and HK$500,270,558 respectively (2020: HK$1,488,187,212 and HK$454,989,905 respectively).

Third-party interests in consolidated structured entities consist of third-party unit holders/shareholders' interests in consolidated structured entities which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit holders/shareholders' interests in consolidated structured entities cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment funds that are subject to the actions of third-party unit holders.

For the year ended 31 December 2021, changes in interests held by third-party unit holders/shareholders of HK$18,639,172 (2020: HK$22,236,173) in consolidated structured entities are included as other gains within other gains or losses in the consolidated statement of profit or loss and other comprehensive income and the interests held by third-party unit holders/shareholders amounted to HK$238,046,664 (2020: HK$301,753,853) as at 31 December 2021 are included in other liabilities in the consolidated statement of financial position.

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A wholly-owned subsidiary of the Company, China Industrial Securities International Asset Management Limited, serves as the investment manager of several investment funds, which are considered to be structured entities within the definition of HKFRS 12 *Disclosure of interests in other entities*. The directors of the Company are of the opinion that certain investment funds are regarded as unconsolidated structured entities as the Group does not hold any participating shares in the investment funds and is not able to exercise control over their operation, or it has no significant variable financial interest. Hence, they are not consolidated in the consolidated financial statements.

China Industrial Securities International Asset Management Limited receives an interest in these unconsolidated structured entities through the receipt of management and performance fees. The unconsolidated structured entities invest in a range of asset classes. The carrying values of the Group's interests in these unconsolidated structured entities as recognised in the consolidated statement of financial position as at 31 December 2021 is HK$11,703,700 (2020: HK$1,656,429) (included in accounts receivable) and the management fee and performance fee recognised in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 is HK$20,169,910 (2020: HK$11,188,771). The net asset value of total assets under management for these funds amounts to approximately HK$5,849 million as at 31 December 2021 (2020: HK$4,829 million).

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

The unconsolidated structured entities have various investment objectives and policies and are subject to the terms and conditions of their respective offering documentation. However, all unconsolidated structured entities invest their capital, from third-party investors, in a portfolio of assets according to respective investment restrictions set out in the offering documentation in order to provide a return to those investors from capital appreciation of those assets, income from those assets, or both. Accordingly, the portfolio of assets held by these unconsolidated structured entities are susceptible to market price risk and the performance of the investment manager.

Maximum exposure to loss

The Group's maximum exposure to loss associated with its interest in these unconsolidated structured entities is limited to the carrying amount mentioned as above.

Financial support

The Group has not provided financial support to any of its unconsolidated structured entities during the years ended 31 December 2021 and 2020, and has no contractual obligations or current intention of providing financial support in the future.

Other information

There are no liquidity arrangements, guarantees or other commitments that may affect the fair value or risk of the Group's interest in the unconsolidated structured entities.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$	2020 HK$
Non-current assets		
Property and equipment	**75,443,983**	96,490,549
Intangible assets	**3,574,885**	5,165,743
Investment in subsidiaries	**3,298,211,609**	3,243,017,845
Deposits, other receivables and prepayments	**14,828,827**	14,927,611
Deferred tax assets	**4,997,738**	104,047
	3,397,057,042	3,359,705,795
Current assets		
Tax receivable	**10,107,825**	2,785,328
Deposits, other receivables and prepayments	**2,785,328**	6,648,815
Amounts due from subsidiaries	**6,076,159,761**	5,954,395,910
Bank balances – general accounts and cash	**123,987,112**	55,401,052
	6,213,040,026	6,019,231,105
Current liabilities		
Accruals and other payables	**45,471,060**	87,459,458
Amounts due to a fellow subsidiary	**4,560,326**	1,351,510
Amounts due to a subsidiary	**–**	5,750,697
Amount due to the immediate holding company	**2,300,852,500**	–
Bank borrowings	**530,146,916**	3,623,454,464
Lease liabilities	**37,325,638**	35,251,162
	2,918,356,440	3,753,267,291
Net current assets	**3,294,683,586**	2,265,963,814
Non-current liabilities		
Lease liabilities	**15,666,805**	52,992,444
Bonds	**2,352,317,863**	–
Amount due to the immediate holding company	**–**	2,286,899,000
	2,367,984,668	2,339,891,444
Net assets	**4,323,755,960**	3,285,778,165
Equity		
Share capital	**400,000,000**	400,000,000
Share premium	**3,359,547,592**	3,359,547,592
Accumulated loss	**(878,233,453)**	(916,211,248)
Capital reserve	**442,441,821**	442,441,821
Equity attributable to holders of the ordinary shares	**3,323,755,960**	3,285,778,165
Equity attributable to holders of other equity instruments	**1,000,000,000**	–
Total equity	**4,323,755,960**	3,285,778,165

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements in the Company's components of equity

	Share capital	Share premium	Capital reserve	Accumulated loss	Other equity instruments	Total
	HK$	HK$	HK$	HK$	HK$	HK$
At 1 January 2020	400,000,000	3,359,547,592	442,441,821	(433,454,629)	–	3,768,534,784
Loss and total comprehensive income for the year	–	–	–	(482,756,619)	–	(482,756,619)
At 31 December 2020	400,000,000	3,359,547,592	442,441,821	(916,211,248)	–	3,285,778,165
Profit and total comprehensive income for the year	–	–	–	37,977,795	–	37,977,795
Issue of perpetual securities	–	–	–	–	1,000,000,000	1,000,000,000
At 31 December 2021	400,000,000	3,359,547,592	442,441,821	(878,233,453)	1,000,000,000	4,323,755,960

49. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the immediate holding company is Industrial Securities (Hong Kong) Financial Holdings Limited which is incorporated in Hong Kong. Industrial Securities Company Limited ("Industrial Securities"), a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company of the Company. The shares of Industrial Securities are listed on the Shanghai Stock Exchange in the PRC.

50. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Onerous contracts — cost of fulfilling a contract*	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, *Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2017 HK$	2018 HK$	2019 HK$	2020 HK$	**2021 HK$**
REVENUE	927,724,226	1,011,045,602	1,261,563,267	576,700,171	**636,370,709**
Other income	23,630,339	53,584,083	131,340,135	110,664,967	**31,386,354**
Share of result of a joint venture	–	(498,698)	(7,188,844)	3,840,787	**(20,060,274)**
Finance costs	(166,817,874)	(386,951,178)	(569,952,191)	(487,532,792)	**(187,871,898)**
Commission and fee expenses	(101,172,102)	(111,605,723)	(72,846,533)	(90,921,460)	**(64,536,118)**
Staff costs	(163,560,791)	(187,040,901)	(232,101,080)	(169,962,057)	**(159,927,725)**
Other operating expenses	(130,199,762)	(182,361,532)	(175,163,993)	(160,608,855)	**(166,202,778)**
Impairment losses on financial assets	(290,394,561)	(6,105,250)	(874,301,268)	(368,491,609)	**(95,493,470)**
Other gains and losses	78,875,531	10,483,808	1,027,010	55,063,772	**75,712,803**
PROFIT/(LOSS) BEFORE TAXATION	178,085,006	200,550,211	(537,623,497)	(531,247,076)	**49,377,603**
Taxation	(25,253,165)	(56,749,540)	75,764,050	38,709,493	**(9,283,964)**
PROFIT/(LOSS) FOR THE YEAR	152,831,841	143,800,671	(461,859,447)	(492,537,583)	**40,093,639**
Other comprehensive income for the year	30,109,172	–	–	–	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	182,941,013	143,800,671	(461,859,447)	(492,537,583)	**40,093,639**
EARNINGS/(LOSS) PER SHARE					
Basic (expressed in HKD)	0.0382	0.0360	(0.1155)	(0.1231)	**0.0100**

ASSETS AND LIABILITIES

	As at 31 December				
	2017 HK$	2018 HK$	2019 HK$	2020 HK$	**2021 HK$**
Total assets	17,053,775,016	23,343,840,317	24,304,672,709	18,263,690,895	**16,794,803,131**
Total liabilities	(12,656,509,202)	(18,952,766,745)	(20,465,030,793)	(14,916,586,562)	**(12,407,605,159)**
Net assets	4,397,265,814	4,391,073,572	3,839,641,916	3,347,104,333	**4,387,197,972**

ISSUER

China Industrial Securities International Financial Group Limited
興證國際金融集團有限公司
PO Box 1350, Windward 3
Regatta Office Park
Grand Cayman KY1-1108
Cayman Islands

GUARANTOR

Industrial Securities Co., Ltd.
興業證券股份有限公司
268 Hudong Road
Fuzhou, Fujian Province 350003
PRC

TRUSTEE

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London, EC4V 4LA
United Kingdom

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London, EC4V 4LA
United Kingdom

TRANSFER AGENT AND REGISTRAR

The Bank of New York Mellon SA/NV, Dublin Branch
Riverside II, Sir John Rogerson's Quay
Grand Canal Dock, Dublin 2
Ireland

LEGAL ADVISORS TO THE JOINT LEAD MANAGERS

As to English law

Allen & Overy
9th Floor
Three Exchange Square
Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices
10/F, Tower 1
Jing An Kerry Centre
1515 West Nanjing Road
Shanghai, China

LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR

As to English law

Linklaters
11th Floor, Alexandra House
Chater Road
Central
Hong Kong

As to Cayman Islands law

Ogier
11th Floor Central Tower
28 Queen's Road Central
Central
Hong Kong

As to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing, China

LEGAL ADVISORS TO TRUSTEE

As to English law
Allen & Overy LLP
50 Collyer Quay
09-01 OUE Bayfront
Singapore 049321

INDEPENDENT AUDITORS OF THE ISSUER

KPMG
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

INDEPENDENT AUDITORS OF THE GUARANTOR

KPMG Huazhen LLP
8/F, KPMG Tower
Oriental Plaza, No. 1 East Chang An Ave
Beijing 100738, China