



中信建投証券股份有限公司 CSC FINANCIAL CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 6066

Annual Report 2023



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DEFINITIONS

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

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

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Date of Disclosure of the Report”	March 28, 2024
“Director(s)”	the director(s) of our Company
“ESG”	Environmental, Social and Governance
“FICC”	Fixed-income securities, currencies and commodities
“Futures and Derivatives Law”	Futures and Derivatives Law of the People’s Republic of China (《中華人民共和國期貨和衍生品法》)
“Glasslake Holdings”	Glasslake Holdings Limited (鏡湖控股有限公司)
“Group”	CSC Financial Co., Ltd. and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in HKD
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“HKEEX”	Hong Kong Exchanges and Clearing Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IPO”	Initial Public Offering
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“NEEQ”	the National Equities Exchange and Quotations
“NEEQ Co. Ltd.”	National Equities Exchange and Quotations Corporation Limited (全國中小企業股份轉讓系統有限責任公司)
“PRC” or “China”	the People’s Republic of China
“QFI”	Qualified Foreign Investor
“related party/connected transaction”	related party transaction(s) and connected transaction(s)
“related party transaction(s)”	has the same meaning ascribed to it under the SSE Listing Rules
“Reporting Period” or “2023”	from January 1, 2023 to December 31, 2023

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China (《中華人民共和國證券法》)
“Shandong CSRC”	Shandong Office of the China Securities Regulatory Commission
“Shanghai and Shenzhen Stock Exchanges”	Shanghai Stock Exchange and Shenzhen Stock Exchange
“Share(s)”	ordinary shares in the share capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (as amended from time to time)
“State-owned Assets Supervision and Administration Commission of Beijing”	the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“SZSE”	Shenzhen Stock Exchange
“the end of the Reporting Period” or “the end of 2023”	December 31, 2023
“US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“WFOE”	Wholly Foreign Owned Enterprise(s)
“Wind Info”	Wind Information Co., Ltd. (萬得信息技術股份有限公司)

CHAIRMAN'S STATEMENT

Dear Shareholders,

As water in the pool rises and the willows bud in spring, it is time to report to all of you the Company's achievements over the past year and its outlook for the future. 2023 is the first year to fully implement the spirit of the 20th CPC National Congress, and all employees of CSC calmly and prudently responded to market fluctuations, strengthened their confidence, and promoted the Company to continuously maintain its high-quality development in a complex environment. According to the audited financial data based on the China Accounting Standards for Business Enterprises, as of the end of 2023, the total assets of the Group amounted to RMB522,752 million, and its net assets attributable to equity holders of the Company amounted to RMB97,478 million; in 2023, the Group's operating income was RMB23,243 million, and its net profit attributable to equity holders of the Company was RMB7,034 million. The return on weighted average equity reached 8.59%, sustaining a leading position in the industry.

In 2023, all the businesses of the Company developed steadily. The investment banking business continued to rank among the top tier in the market, which is an important way for the Company to facilitate high-quality development of the real economy and serve the national strategy, as well as a concentrated reflection of the Company's unswerving commitment to becoming a "first-class investment bank in China" over the years. The Company has actively conducted investment banking business with a focus on major national strategies, and has gained widespread market recognition in terms of sponsoring IPOs on both of the STAR Market and ChiNext Board or for "little giant" enterprises that use special and sophisticated technologies to produce novel and unique products, and serving the development of industries such as new energy, playing the important role of the securities industry in helping high-quality enterprises acquire market financing and achieve further development. The market share of the core indicators of brokerage and wealth management business has reached a record high, the net income from the securities brokerage business, the agency trading securities business and the agency sale of financial products has further increased, and the stock and fund investment and consultation service business has developed steadily, which are solid steps for the Company's long-standing commitment to pursuing excellence and serving the investing public. The scale and market competitiveness of institutional business have been increasingly enhanced, with its mutual fund custody quantity ranking No. 1 in the industry, the market influence of research business being further enhanced, and the share of commissions from mutual funds ranking No. 2 in the industry. The fixed-income business firmly seized the market opportunities, consolidated and continuously enriched FICC product mix based on bonds, foreign exchange, commodities and related derivatives, strengthened platform construction and ultimately yielded better returns. Featured with a stable layout, the stock derivatives trading business further expanded investment and trading varieties, and continuously improved the strategy index product system. The asset management business continued to be optimized with best-ever ranking in net income. The securities and finance business actively built a multi-center, multi-channel and multi-level service system for developing clients, achieving good market feedback. The contribution by its subsidiaries and has been enhanced year by year, wherein China Futures has achieved the best operating income and net profit in history for four consecutive years, and has been rated as a Class A futures company at Level AA for four consecutive years; China Capital has completed listing or review for a number of its invested projects, with the average monthly paid-in scale ranking top among the private equity subsidiaries of the securities firms; China Securities International has actively grasped the opportunities of the Company's cross-border integration development, and has been awarded the highest international credit rating by S&P and Fitch for the offshore subsidiaries of Chinese-funded securities firms; China Fund ranked among the top 20% or even the top 10% in the market in terms of the yield of numerous products; and China Securities Investment has done a good job in project development, reserve and investment layout in an orderly manner. For details on the above businesses, please see the section headed "Management Discussion and Analysis" in this annual report.

CHAIRMAN'S STATEMENT

As Chairman of CSC, I am well aware of the hard-won achievements above, and fully feel the deep heritage accumulated by the Company's development over the years. 2023 is a year worthy of being deeply remembered by all these employees of CSC. To address all sorts of challenges, they have built a strong presence and made concerted efforts to further improve their service quality and management level at the moment they were undergoing numerous tests, fully proving that the "righteous, diligent, simple and unwavering" development concept adhered to by the Company for many years could enable the Company to navigate different economic cycles and market trends and ultimately achieve high-quality development. On behalf of the Board of Directors and the executive management of the Company, I would like to express my highest respect and heartfelt gratitude to our shareholders and friends who have been supporting and caring about the development of the Company for a long time, and to all employees of CSC who have been working tirelessly in various positions!

In 2023, many changes have taken place in China's securities industry, the most far-reaching of which was the important speech delivered by General Secretary XI Jinping at the Central Financial Work Conference, in which he proposed the need to "accelerate the building of a financial power" and to "cultivate first-class investment banks and investment institutions", thereby pointing out the way forward for the future development of securities industry. On the 15th anniversary of its inception, CSC, based on its past development experience, formally defines the development vision of "commitment to becoming a first-class investment bank in China that clients trust, employees respect, and shareholders are satisfied with" and actively puts it into practice. In the context of "building a financial power", all employees of CSC have begun to rethink the richer connotation and strategic significance of a first-class investment bank in the new era from a higher perspective and a broader view. We deeply realize that "financial power" is not just a term, but also means "making a country stronger through financial development", and that finance should and must serve as a pivotal tool for a country, playing a vital part in assisting the country's economic prosperity and enhancing its international status. Against this backdrop, to achieve the goal of becoming a "financial power", the demands in the era of building a first-class investment bank and opening up a communication channel between industry and capital are on the horizon. By assisting high-quality enterprises to complete listing and issuance of shares, investment banks pool social funds and turn them into investment "capital" to the greatest extent, enabling enterprises to expand their reproduction and investors to gain capital appreciation, and ultimately realizing a huge improvement in the overall productivity of society. While satisfying huge financing needs of the industries with development potentials, investment banks have also made great strides in their own development. Just as General Secretary XI Jinping emphasizes that "a financial power should be built on a base of strong economy", investment banking and national economic development are in a dialectical relationship of mutual promotion. Capitalizing on the national economic foundation and the rapid development of comprehensive strength, China is therefore able to build "first-class investment banks", with that coming along the economic needs and the demands for serving the real economy. Wherever the trade and investment of Chinese enterprises go, the services from first-class investment banks must follow. Taking into account the above ideas and its own development experience, CSC puts forward the development goal of "upholding ideals and beliefs, focusing on 'strategic leadership', and building a 'five-first-class' investment bank with first-class culture, first-class talents, first-class capabilities, first-class services and first-class achievements".

CHAIRMAN'S STATEMENT

"Success and progress are reserved for those who face challenges head-on rather than looking for an easy way out." After 18 years of hard work and progress, CSC has gradually grown from a "fledgling company" at its inception into a large-scale comprehensive securities company that ranks at the forefront of the industry, enjoys the trust of its clients and the market, and enhances its level of service with each passing day. The dust has not yet been washed away, but the war drums are beating again. In response to the call of the times of "cultivating first-class investment banks", CSC feels that it is at the right time and is interested in becoming the "vanguard" of building first-class investment banks, and will actively improve its own positioning and development plan, identify the gaps to readjust its strategies, take small steps to go further, gather strength to achieve a big improvement, and closely link its own development with the national and social needs. CSC will continuously adhere to give top priority to investors, work diligently and responsibly, improve its value discovery and investor service capabilities, and strive to fully leverage its functions as a direct financing "service provider", a "gatekeeper" in the capital market, and a "manager" of social wealth, ploughing through the goal of becoming an "investment bank with international competitiveness and market leadership". We are well aware that we are only one of the numerous securities firms on the journey to put more efforts in building first-class investment banks, and that we are only a small part of thousands of hard-working players on the journey to develop China into a socialist modernized country. However, whether it is building a first-class investment bank or building a financial power, we are confident that as long as we focus on the way to "adhere to the fundamental purpose of serving the real economy through finance" and implement the "five major articles" of finance by virtue of firm political stance and strong professionalism, the creeks will surely merge to form larger streams and rivers, and ultimately flow to the tide of time when the development of a powerful country and national rejuvenation takes place! Inevitably, the majority of our shareholders and friends will be the witnesses and beneficiaries of this process.

Chairman
WANG Changqing
March 28, 2024

SECTION 1 IMPORTANT NOTICE

- I. The Board of Directors, the Supervisory Committee of the Company, the Directors, the Supervisors and the senior management warrant the truthfulness, accuracy and completeness of this annual report and that there is no misrepresentation on, misleading statement in, or material omission from this annual report, and will assume joint and several liabilities.
- II. This report was considered and approved at the 59th meeting of the second session of the Board of Directors of the Company. All the Directors of the Company attended the board meeting, and no Director raised any objection to this report.
- III. KPMG Huazhen LLP and KPMG issued the auditor's reports with standard unqualified audit opinion, respectively.
- IV. WANG Changqing (Chairman and the Chief Financial Officer (Acting) of the Company) and ZHAO Ming (head of the accounting department (chief accountant)) warrant that the financial statements set out in this annual report are true, accurate and complete.
- V. The plan for profit distribution or capital reserve capitalization for the Reporting Period has been resolved and approved by the Board of Directors

The 2023 profit distribution plan of the Company is as follows: the Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 Shares in the total share capital as at December 31, 2023, RMB2.50 (tax inclusive) for every 10 Shares to all the Shareholders. The proposal still needs to be submitted at the Shareholders' general meeting of the Company for consideration and approval.

- VI. Risk statement for forward-looking statements

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

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

No

- Value VIII. Whether there was any guarantee provided to the external parties which violated the stipulated decision-making procedures

No

- Value IX. Whether there was any instance where more than half of the directors were unable to guarantee the truthfulness, accuracy and completeness of the annual report disclosed by the Company

No

SECTION 1 IMPORTANT NOTICE

X. Material risk warning

The major risks to which the Company may be exposed include market risk, credit risk, liquidity risk and compliance risk. Specifically, there are market risks brought by fluctuations in stock, bond, commodity and foreign exchange markets to the investment portfolio of the Company; credit risks brought by insufficient repayment capability of financiers in the financing business and counterparties in the OTC derivatives business or abnormal decline in the price of securities used as security (pledge or margin) to the Company, and credit risks brought by default or declined credibility of the bond issuer to the bond and investment portfolio of the Company; liquidity risks brought by improper asset-liability allocation, tight liquidity or soaring funding prices at a specific time point, or erroneous financing operation in the general context of the expected reasonable and sufficient capital supply; and compliance risks brought by deficiencies in internal control, violations of regulatory requirement, etc. to the Company. In addition, the Company may be exposed to other risks, such as strategic risk, operational risk, legal risk, technical risk and reputational risk. The combined effect of the abovementioned risks will pose certain challenge to the operation of the Company.

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

XI. Others

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

In this annual report, the amounts are denominated mainly in RMB or Hong Kong dollars. Unless it is specifically indicated, the amounts are denominated in RMB; any discrepancies between totals and sums of amounts are due to rounding.

SECTION 2 COMPANY INFORMATION

I. PROFILE

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

Registered Capital and Net Capital of the Company

Unit: RMB

	As at the end of the Reporting Period (December 31, 2023)	As at the end of the previous year (December 31, 2022)
Registered Capital	7,756,694,797.00	7,756,694,797.00
Net Capital	66,859,253,199.55	66,252,299,897.85

Qualifications for Each Individual Business of the Company

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

In addition, the Company possesses the qualifications for the following major individual business (among which items 91-95 are newly obtained in 2023):

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

SECTION 2 COMPANY INFORMATION

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

SECTION 2 COMPANY INFORMATION

57. Lead market maker of the listed fund on SSE
58. Core dealer of credit protection contract on SSE
59. Qualification of investor securities registration business agency
60. Qualification for Shanghai Clearing House to participate in the business of central clearing for credit default swap
61. Core dealer of credit protection contract on SZSE
62. Qualification of business for the transfer to margin securities on STAR Market
63. Qualification of consultation services for military confidential business
64. Qualification of Shanghai Free Trade Zone and overseas bond business
65. Qualification of stock options business on SZSE
66. Issuing institution of credit protection certificate on SSE
67. Qualification of market making business for stock index options
68. Qualification for market making of CSI 300 Index Options of China Financial Futures Exchange
69. Lead market maker of CSI 300ETF Options
70. Operation qualification of settlement and sale of foreign exchange business
71. Participant in RMB foreign exchange price inquiry trading and clearing business in the Inter-bank Bond Market
72. ChinaBond valuation partner
73. Member of the inter-bank foreign exchange market
74. Member of inter-bank foreign currency market
75. Pilot qualification of fund investment advisory business
76. Member of the interest rate option market
77. Trustee for debt financing instruments of non-financial enterprises
78. Qualification of H-share full circulation business
79. Qualification of foreign exchange client business
80. Lead market maker of SSE 50ETF Options
81. Qualification for independently conducting the lead underwriting business of debt financing instruments of non-financial enterprises
82. Interest rate option quotation agency
83. Cash bond market maker in Inter-bank Bond Market
84. CFETS-SHCH-GTJA High-grade CDS index quotation institution
85. Issuing institution for the qualification of collateralized repurchase business of credit protected bonds
86. Qualification of intermediary service institution of Beijing Equity Trading Center
87. Qualification of pilot business for optimizing account management function of securities companies
88. Qualification for market making business of Treasury bond futures
89. Member of Renminbi financial bond underwriting and market-marking syndicates of China Development Bank
90. Member of book-entry treasury bond underwriting syndicates
91. Qualification of member of Shanghai Insurance Exchange
92. Qualification for proprietary participation in carbon emissions trading business
93. Qualification of member of Shanghai Environment and Energy Exchange
94. Qualification of institutional member of Guangzhou Carbon Emission Trading Center
95. Member of carbon financial services at Hubei Carbon Emission Exchange

SECTION 2 COMPANY INFORMATION

II. CONTACT PERSONS AND DETAILS

	Secretary to the Board and the Company Secretary	Representative for Securities Affairs
Name	WANG Guangxue	DU Ningning
Address	No. 10 Guanghua Road, Chaoyang District, Beijing	No. 10 Guanghua Road, Chaoyang District, Beijing
Telephone	010-56052830	010-56052830
Facsimile	010-56118200	010-56118200
Email	601066@csc.com.cn	601066@csc.com.cn

III. BASIC INFORMATION

Registered Address	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing
Postal Code of Registered Address	100101
Principal Office Address	No. 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of Principal Office Address	100020
Place of Business in Hong Kong	18/F, Two Exchange Square, Central, Hong Kong
Website	www.csc108.com
Email	601066@csc.com.cn
National Customer Service Hotline	95587/4008888108
Investor Contact Hotline	010-56052830
Fax Number	010-56118200
United Social Credibility Code	91110000781703453H

Note: In October 2023, the Company changed its principal office address, investor contact hotline and fax number. For details, please refer to the relevant announcement. The above is the updated information.

IV. INFORMATION DISCLOSURE AND AVAILABILITY PLACES

Media and website for information disclosure designated by the Company	China Securities Journal (www.cs.com.cn) Shanghai Securities News (www.cnstock.com) Securities Times (www.stcn.com) Securities Daily (www.zqrb.cn)
Websites of the stock exchanges on which annual reports of the Company are disclosed	Website of SSE (www.sse.com.cn) HKExnews website of HKEX (www.hkexnews.hk)
Places where annual reports of the Company are available	No. 10 Guanghua Road, Chaoyang District, Beijing Unit 4, No. 66 Anli Road, Chaoyang District, Beijing 18/F, Two Exchange Square, Central, Hong Kong

V. BRIEF INFORMATION OF THE SHARES OF THE COMPANY

Brief Information of the Shares of the Company				
Class of Shares	Stock Exchange of Listing	Stock Name	Stock Code	Stock Name before Change
A Shares	SSE	CSC	601066.SH	Not applicable
H Shares	Hong Kong Stock Exchange	CSC	6066.HK	Not applicable

SECTION 2 COMPANY INFORMATION

VI. OTHER INFORMATION OF THE COMPANY

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

1. Establishment of Company

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

2. Change of Shareholding in 2010

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

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

SECTION 2 COMPANY INFORMATION

(2) Central Huijin Investment Ltd. Becomes a Shareholder

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

(3) Century Jinyuan Investment Group Limited Becomes a Shareholder

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

3. Conversion into a Joint Stock Limited Company in 2011

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

SECTION 2 COMPANY INFORMATION

4. Change of Shareholding in 2016

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

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

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

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

5. IPO of H Shares in 2016

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

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

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

SECTION 2 COMPANY INFORMATION

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

6. IPO of A Shares in 2018

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

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

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

7. Change of Shareholding in 2020

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

8. Non-public Issuance of A Shares in 2020

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

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

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

SECTION 2 COMPANY INFORMATION

9. Increase in Shareholding by the Shareholder in 2023

From May 18 to November 20, 2023, Beijing Financial Holdings Group increased its shareholding in the Company by a total of 93,080,000 H Shares (representing 1.20% of the total number of Shares) by way of centralized bidding through SSE southbound trading system. When the increase in shareholding was completed, Beijing Financial Holdings Group held a total of 2,777,389,017 Shares in the Company (representing 35.81% of the total number of Shares), including 2,684,309,017 A Shares and 93,080,000 H Shares.

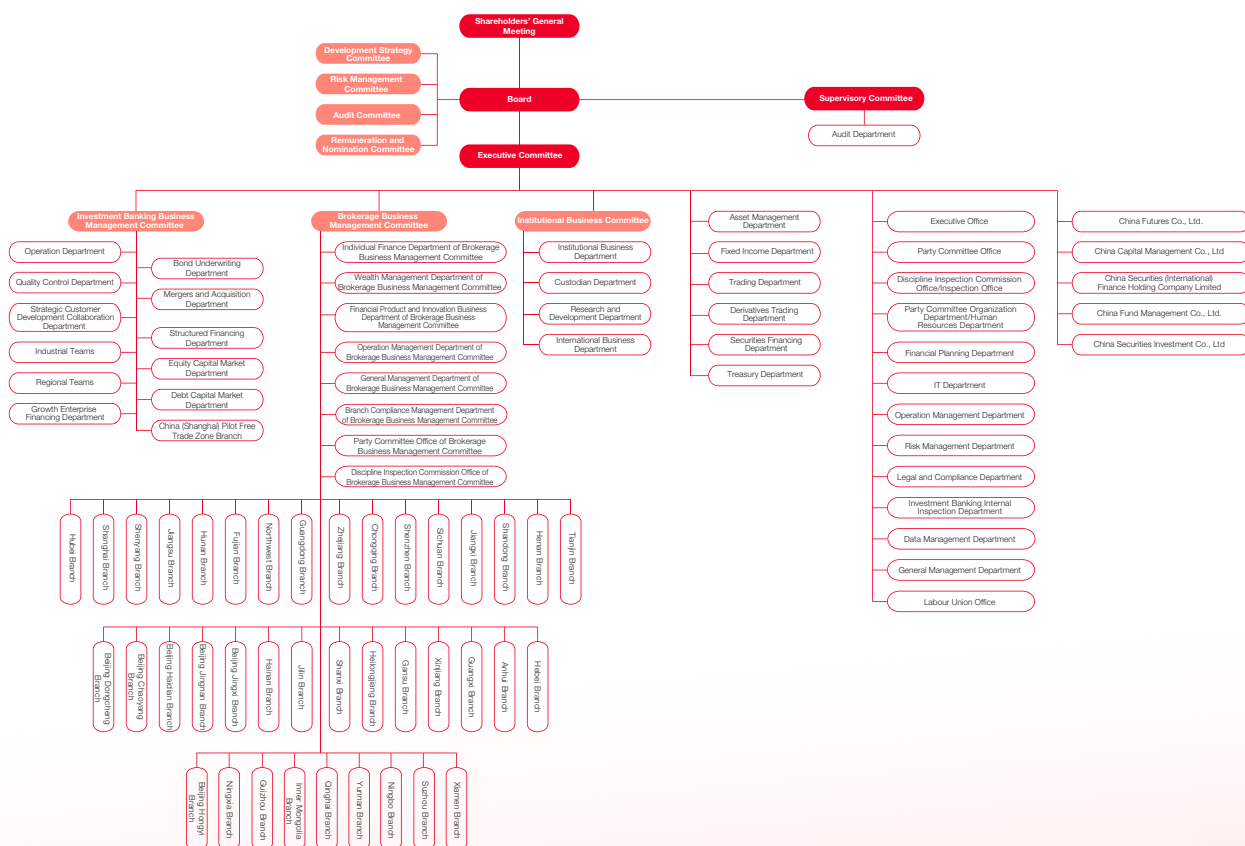
(II) Change of Substantial Shareholders

Please refer to “Section 2 Company Information – VI. Other Information of the Company – (I) History of the Company, Mainly Including Reform and Restructuring, Increase in Share Capital and Other Matters in Prior Years” of this annual report for details.

(III) Organizational Structure of Company

In strict compliance with the requirements such as the Company Law, the Securities Law, the Guidance for the Internal Control of Securities Companies (《證券公司內部控制指引》), the relevant rules and regulations of CSRC, the SSE Listing Rules, the Hong Kong Listing Rules, the various requirements of the competent authorities on the governance of state-owned financial enterprises, the Articles of Association and internal system of the Company, the Company regulates its operation, constantly improves the operation mechanism and system establishment for its Party Committee, Shareholders' general meeting, the Board of Directors, the Supervisory Committee and the executive management. The Company has established a standardized and scientific corporate governance structure and set up an organizational structure that meets its development needs. As of the Date of Disclosure of the Report, the organizational structure of the Company is as follows:

SECTION 2 COMPANY INFORMATION



As of the end of the Reporting Period, the Company had five first-tier subsidiaries, all of which were wholly-owned subsidiaries, namely China Futures, China Capital, China Securities International, China Fund and China Securities Investment. Please refer to Section 4 “Management Discussion and Analysis – VII. Analysis of Principal Subsidiaries” of this annual report for details.

SECTION 2 COMPANY INFORMATION

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

As of the end of the Reporting Period, the Company had a total of 40 securities branches. For details, please refer to “Introduction of Securities Branches” in this report.

As of the end of the Reporting Period, the Company had a total of 278 securities business departments. The network of the securities business departments was as follows:

Districts	Number of securities business departments
Beijing	49
Guangdong	31
Jiangsu	21
Shanghai	19
Hubei	16
Zhejiang	16
Fujian	15
Jiangxi	15
Shandong	13
Hunan	13
Chongqing	11
Shaanxi	10
Sichuan	9
Henan	8
Hebei	6
Tianjin	6
Liaoning	6
Anhui	3
Hainan	3
Gansu	2
Heilongjiang	2
Jilin	1
Shanxi	1
Guangxi	1
Xinjiang	1
Total	278

(V) Number and Network of Other Branches

As of the end of the Reporting Period, China Futures, a wholly-owned subsidiary of the Company, had a total of 29 branches, including three branches in Shanghai, three branches in Beijing, two branches in Guangzhou, two branches in Chongqing; and one branch in each of Jinan, Changsha, Dalian, Nanchang, Zhengzhou, Langfang, Zhangzhou, Hefei, Xi'an, Chengdu, Shenzhen, Hangzhou, Ningbo, Wuhan, Nanjing, Taiyuan, Hainan, Fuzhou and Suzhou.

SECTION 2 COMPANY INFORMATION

VII. OTHER RELEVANT INFORMATION

Accounting firm engaged by the Company (domestic)	Name	KPMG Huazhen LLP
	Office address	8th Floor, Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing
	Names of signing accountants	GUAN Yiming and WANG Guobei
Accounting firm engaged by the Company (overseas)	Name	KPMG
	Office address	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
	Name of signing accountant	Lee Lok Man
Share Registrar	A Share Registrar	China Securities Depository and Clearing Corporation Limited
	H Share Registrar	Computershare Hong Kong Investor Services Limited

SECTION 2 COMPANY INFORMATION

HONORS RECEIVED BY THE GROUP IN 2023

Category of Award	Awarding Organization	Name of Award
	The People's Bank of China	2022 Fintech Development Award (Second Prize)
	CSRC	2022-2023 Excellent Investor Education Base
	All-China Federation of Trade Unions	Pioneer among Workers (Investment Banking Department II of CSC in Southern China)
	Securities Association of China China Futures Association Asset Management Association of China	2022 Enterprise Standard Forerunner (CSC and China Futures)
	Securities Association of China	2023 Excellent Project Report on Key Project Research
	China Futures Association	2022 Excellent Futures Investor Education Case (China Futures)
	China Association for Public Companies	2023 Best Practice Case of Board Offices of Public Companies
	SSE	2023 Excellent SSE Investor Education Member, Bond Market Comprehensive Service Award and Excellent Consultation and Support Unit for Comprehensive Service of Central Enterprises
	SZSE	2023 Excellent SZSE Investor Education Member
	Shanghai Clearing House	2023 Excellent Clearing Member
	Shanghai Gold Exchange	2023 Excellent Special Member of Shanghai Gold Exchange
	Zhengzhou Commodity Exchange	2023 Excellent Member (China Futures)
	China Financial Futures Exchange	2023 Platinum Prize for Excellent Members (China Futures)
Comprehensive Awards	China Securities Journal	2023 Golden Bull Awards for Securities Companies: Golden Bull Securities Company, Golden Bull Award for the Cultural Construction of Securities Companies, Golden Bull Award for ESG in Securities Industry and Golden Bull Award for Fintech of Securities Companies
	CLS.CN	2023 Social Responsibility Pioneer Enterprise Award and ESG Investment Practice Award
	JRJ.com	The 12th Golden Wisdom Awards in 2023: Outstanding Service Entity Contribution Award (CSC and China Fund) Outstanding Rural Revitalization Model Award (China Futures)
	The Committee for Inheriting the Spirit of Lei Feng of the Research Association of Ideological and Political Work of China Financial Institutions and the Volunteer Committee for Inheriting the Spirit of Lei Feng of the China Volunteers Association	Demonstration Sites for the Activity of Learning from Lei Feng within Financial System (Dongcheng Branch of CSC and China Futures)
	Chongqing Daily	2023 Chongqing Gold Awards: Annual Innovation Award for Providing Financial Support for Real Economy and Annual Innovation Award for Providing Financial Support for Rural Revitalization (China Futures)
	Hong Kong Ta Kung Wen Wei Media Group, the Hong Kong Chinese Enterprises Association, Chinese Financial Association of Hong Kong, Chinese Securities Association of Hong Kong and the Hong Kong Chartered Governance Institute	The 13th China Securities Golden Bauhinia Award: Excellent Financial Service Institution (China Securities International)
	The Hong Kong Council of Social Service	Commendation for "Caring Company" in 2023/24 (China Securities International)

SECTION 2 COMPANY INFORMATION

Category of Award	Awarding Organization	Name of Award
Investment Banking	The Corporate Bonds Supervision Department of the CSRC, SSE and SZSE	2023 Typical Case Selection for Exchange Bond Market Serving the Real Economy: Top 10 Cases
	SSE	2023 Excellent Industrial Bond Underwriter, Excellent Underwriter Serving National Strategy and Excellent Manager for Asset Securitization Business
	SZSE	2023 Excellent Corporate Bond Underwriters, Excellent Institution Underwriting Interest-Rate Bonds and Excellent Fixed-Income Innovative Product Intermediary
	China Association of Small and Medium Enterprises	2023 7th BSE & NEEQ Annual Achievement Ranking: Excellent Service Institution
	Shanghai Clearing House	2023 Excellent Underwriter – Financial Bonds from Commercial Banks
	China Central Depository & Clearing Co., Ltd.	2023 Annual Evaluation of the Development Quality of ChinaBond Members: Institution of the Year for Development Contribution, Excellent Bond Underwriting Institution and Excellent Underwriting Institution for ChinaBond Green Bond Index
	Securities Times	2023 Junding Award for Overseas Investment Bank in China Securities Industry
	Securities Market Weekly	2023 Capital Market Crystal Ball Award: 2023 TOP 10 Investment Banks
	National Business Daily	2023 Jinding Awards: Best Bond Underwriting Team for A-shares and Best M&A and Restructuring Case
	Financial News	2023 Gold Medal List for Financial Institutions in China • Golden Dragon Award: Best Underwriting and Sponsorship Securities Company for the Year
	New Fortune	The 16th New Fortune Best Investment Bank Selection: Best Local Investment Bank, Best Debt Underwriting Investment Bank, Best Equity Underwriting Investment Bank, Best IPO Investment Bank, Best Refinancing Investment Bank, Best Investment Bank in the Consumption-related Industry, Best Investment Bank in the Technology and Intelligent Manufacturing Industry, Best Investment Bank in the New Energy Industry, Best M&A Investment Bank, Best Investment Bank in Overseas Market Capability, Best ESG Practice Investment Bank and Most Creative Project; Best Investment Banking Business Elite Team: IPO Projects, Refinancing Projects, Convertible Bond Projects and Corporate Bond Projects
	Wind Info	2023 Wind Best Investment Bank Selection: Best Investment Bank for the Year, Best Equity Underwriter for A Shares, Best IPO Underwriter for A Shares, Best Re-financing Underwriter for A Shares, Best STAR Market Equity Underwriter, Best ChiNext Board Equity Underwriter, Best BSE Equity Underwriter, Best NEEQ Chief Securities Firm, Best China M&A and Restructuring Financial Advisor, Best Equity Underwriter for A-Shares in Biomedical Industry, Best Equity Underwriter for A-Shares in Intelligent Manufacturing Industry, Best Equity Underwriter for A-Shares in Information Technology Industry, Best Bond Underwriter, Best Credit Bond Underwriter, Best Med-to Long-Term Bond Underwriter, Best ABS Underwriter, Best Credit ABS Underwriter, Best Enterprise ABS Underwriter, Best Financial Bond Underwriter, Best Corporate Bond Underwriter, Best Enterprise Bond Underwriter, Best Convertible Bond Underwriter, Best Green Bond Underwriter and Best Industrial Bond Underwriter (CSC) Best IPO Sponsor for H Shares and Best IPO Global Coordinator for H Shares (China Securities International)

SECTION 2 COMPANY INFORMATION

Category of Award	Awarding Organization	Name of Award
Wealth Management	China Securities Journal	2023 Golden Bull Award for Securities Companies: Golden Bull Wealth Management Team
	Securities Times	2023 Junding Awards for China Securities Industry: Full-service Wealth Broker and Fund Investment Advisor (CSC) Excellent Futures Asset Management Products (China Futures)
	Chinafund	China Fund Industry Yinghua Award: Fund Sales Demonstrating Securities Firm for Mutual Fund within 25 Years, Demonstration Institution for Excellent Wealth Management Securities Firms and APP Demonstration Cases for Excellent Securities Firms
	National Business Daily	2023 Jinding Award: Most Competitive Digital Achievement Award
	21st Century Business Herald	2023 Excellent Investment Advisory Service Institution
	JRJ.com	The 12th Golden Wisdom Awards in 2023: Outstanding Fintech Innovation Award, Excellent Intelligent Finance Case, Outstanding Investment Advisory Business Award and Insight • Outstanding Team Award
	New Fortune	The 6th New Fortune Best Investment Advisor Selection in 2023: Best Investment Advisor, Outstanding Organization Award and Best Style Award for Investment Advisory Team
	Financial Computerizing	The 14th FinTech Innovation Award: FinTech Empowered Business Innovation Award
	National Institution for Finance & Development	Excellent Fintech Innovation Case Award
	IDC	Excellent "China Future Operating Leader" Case
	Shanghai Futures Exchange	2023 First Prize for Natural Rubber "Insurance + Futures" Pilot Project (China Futures)
	Zhengzhou Commodity Exchange	2023 Excellent Member Award for Industrial Services, Excellent Member Award for Institutional Services, Options Market Service Award, Investor Education Award, Agricultural Industry Service Award, Textile Industry Service Award, Energy Chemical Industry Service Award and "Pioneer in Investment and Education" Team; 2022 Excellence Project Award for the "No Worries for Agricultural Insurance" Pilot Project (China Futures)
	China Financial Futures Exchange	2023 Risk Management Service Award, Institutional Service Award, Excellent Treasury Bond Futures Market Maker Service Member and Excellent Stock Index Options Market Maker Service Member; Excellent Treasury Bond Futures Analyst Team (China Futures)
	Futures Daily	Excellent Service Provider in the 2022 China Enterprise Risk Management "Golden Great Wall" Award (China Futures)
	Futures Daily and Securities Times	The 16th China Best Futures Operator Selection: Best Futures Company in China, Best Rural Revitalization Service and Social Responsibility Public Welfare Award, Best Honest and Self-regulating Futures Company, Best Corporate Culture Brand Building Award, Investor Protection and Education Innovation Award for the Year, Best Contribution Award for Futures Talent Cultivating Institution, Gold Medal Management Team of Future Companies in China, Huazhang Award of China Futures Market for Thirty Years, Best Commodity Futures Industry Service Award, Best Financial Futures Service Award, Best Asset Management Leadership Award, Outstanding Asset Management Products for the Year, Best Derivatives Comprehensive Service Innovation Award in China, Most Popular We Media for Futures Operator for the Year, Outstanding APP Performance Award for Best Futures Company for the Year, Best Digital Transformation Futures Operator and Gold Medal Futures Research Institute in China; Best Futures Research Team: Macro Finance, Black Industry, Metal Industry, Energy and Chemical Industry, and Agricultural Products Industry (China Futures)
CLS.CN	2023 Excellent "Gold Hazelnut" Asset Management Competitiveness Case Selection: Best Futures Asset Management Gold Hazelnut Award and Yield Star Multi Asset Hybrid Strategy Product Gold Hazelnut Award (China Futures)	

SECTION 2 COMPANY INFORMATION

Category of Award	Awarding Organization	Name of Award
Trading and Institutional Client Services	SSE	2023 Excellent Bond Broker, Excellent Bond Market Maker (Credit), Excellent General Collateral Repos Contributor, Excellent Stock Market Maker on STAR Market and Contribution Award for the Development of Stock Options Market
	SZSE	2023 Excellent ETF Liquidity Service Provider, Excellent Cross-market Bond Trading Institution, Excellent Bond Investment and Trading Institution – Proprietary of Securities Firms, Excellent Bond Market-making Institution and Excellent Institution Participating in the Innovation in Bond Trading Business – Bond Lending
	BSE	Pioneer Market Maker
	Shanghai Clearing House	2023 Excellent Green Finance Business Innovation Institution, Excellent Clearing Business Participant and Excellent Institution Participating in Agency Clearing Business
	China Financial Futures Exchange	2023 Silver Prize for Excellent Stock Index Options Market Maker, Silver Prize for Excellent Treasury Bond Futures Market Maker and Outstanding Contribution Award for Launching New Products by Treasury Bond Futures Market Maker
	China Foreign Exchange Trade System	2022 Excellence Selection in Inter-Bank Foreign Exchange Market: Excellent Renminbi Foreign Exchange Market Member, Excellent Renminbi Foreign Exchange Spot Market Member, Excellent Renminbi Foreign Exchange Option Market Member, Excellent Renminbi Foreign Exchange Non-Bank Market Member and Most Progressed Foreign Exchange Money Market Member
	National Interbank Funding Center	2023 Annual Evaluation of High-quality Development for Members in the Inter-Bank Renminbi Market: Annual Market Influence Institution and Market Innovation Business Institution
	China Central Depository & Clearing Co., Ltd.	2023 CIBM Participants Performance Evaluation : Top Contributors of International Business and Top 100 Self-settlement Institution
	Bond Connect Company Limited	2023 Northbound Top Market Maker
	People's Daily and International Financial News	2023 Excellent FinTech Innovation Case in China
	Securities Times	2023 Jinding Awards for China Securities Industry: Institutional Broker, Industry Service Research Institute and Most Distinctive Research: Research on New Shares
	Chinafund	China Fund Industry Yinghua Award: Fund Custody Demonstrating Securities Firm for Mutual Fund within 25 Years
	National Business Daily	2023 Jinding Award: Most Competitive Institutional Service Securities Firm
	China Securities Journal	The 14th Golden Bull Awards for the China Securities Industry Analyst in 2023: Most Popular and Influential Research Institution; Best Industry Analyst Team: Communications, Banks, Pharmaceutical Biology, Steel and Electrical Equipment
	Shanghai Securities News	2023 Shanghai Securities News Best Analyst Selection: Best Analyst: Pharmaceutical Biology, Banking Industry, New Energy Electrical Equipment, Communications, Investment Strategies, Automobiles, Materials, Financial Engineering, Fixed Income, Research on BSE, Real Estate, Wholesale, Retail and Social Services, Farming, Forestry, Husbandry and Fishing, Home Appliances, and Communication and Culture
	New Fortune	The 21st New Fortune Best Analyst Selection in 2023: Most Influential Research Institution and Best Local Research Institution; Best Analyst Industry Awards: Communications, Banks, Metals and New Metal Materials, Machinery, Pharmaceutical Biology, New Energy and Electrical Equipment; Best Industry Research Team Awards: Financial Industry, Manufacturing Industry, and Science and Technology Industry
Securities Market Weekly	The 17th Crystal Ball Awards for Vendor Analyst in 2023: Most Influential Institution and Best Research Institution Awards in Overall Ranking: Golden Team Leader, Banks, Communications, NEEQ, New Energy, Pharmaceutical Biology, Transportation and Machinery Awards in Public Offering Ranking: Golden Team Leader, Banks, Communications and New Energy	

SECTION 2 COMPANY INFORMATION

Category of Award	Awarding Organization	Name of Award
Asset Management		2023 Golden Bull Awards for Collective Asset Management Plans of Securities Companies: Three-year Stock Long Position Golden Bull Asset Management Plan and Three-year Hybrid Bond (Secondary) Golden Bull Asset Management Plan
	China Securities Journal	The 7th Equity Investment Golden Bull Awards: Outstanding Golden Bull Equity Investment Institution of Securities Firms and Excellent Golden Bull Investment Institution in the Fields of Semiconductor and Integrated Circuit (China Capital)
	Securities Times	2023 Junding Awards for China Securities Industry: Full-service Asset Management Institution, Asset Management Equity Team, Fixed-Income Asset Management Plan and Asset Management Quantitative Team
	Chinafund	2023 Yinghua Awards for Asset Management of Securities Firms in China: Asset Management Demonstrating Institution among Equity Securities Firms and Demonstrating Case Related to Quantitative Asset Management Products of Securities Firms (Three-year Term)
	National Business Daily	2023 Jinding Award: Asset Management for Most Powerful Securities Firm
	CLS.CN	2023 Excellent "Gold Hazelnut" Asset Management Competitiveness Case Selection: Excellent Fixed-Income Asset Management Plan Case for Securities Firms and Excellent Innovative Asset Management Plan Case for Securities Firms
	JRJ.com	The 12th Golden Wisdom Awards in 2023: Outstanding Asset Management Team (CSC) Outstanding Fund Investment and Education Case (China Fund)
	Zero2IPO Group	2023 China Equity Investment Annual Ranking: TOP 20 Private Equity Investment Institutions in China, TOP 30 Investment Institutions in China that "use special and sophisticated technologies to produce novel and unique products", TOP 30 Investment Institutions in the Field of New Energy/New Materials in China and TOP 30 Investment Institutions in the Field of Semiconductor in China (China Capital)
	ChinaVenture	2023 ChinaVenture Ranking List: TOP 20 Best State-owned Investment Institutions and TOP 20 Private Equity Investment Institutions in China Getting the Most Attention from LP (China Capital)
	Global PE Forum	2022-2023 China PE/VC Industry Selection: TOP 20 Private Equity Investment Institutions in China, TOP 10 Active Investment Institutions in the Field of New Materials in China, TOP 20 Active Investment Institutions in the Field of Artificial Intelligence in China and TOP 20 Active Investment Institutions in the Field of New Energy in China (China Capital)
	SSE	2023 Excellent Infrastructure Public REITs Participant (China Fund)
	CAIJING.COM.CN	2023 Outstanding Public REITs Manager Award (China Fund)

Note: All of the awards and honors not specifically marked above are received by the parent company.

SECTION 3 FINANCIAL SUMMARY

KEY ACCOUNTING DATA

Unit: RMB million

Items	2023	2022	Increase/ decrease as compared to the same period last year (%)	2021
Total revenue and other income	33,979	36,471	-6.83	39,033
Operating profit	8,364	9,459	-11.58	13,019
Profit before income tax	8,372	9,472	-11.61	13,021
Net profit attributable to equity holders of the Company	7,034	7,519	-6.45	10,239
Net cash flow from operating activities	-10,127	24,279	-141.71	-6,655

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Increase/ decrease as compared to the same period last year (%)	December 31, 2021
Total assets	522,752	509,206	2.66	452,791
Total liabilities	425,226	415,910	2.24	372,785
Equity attributable to equity holders of the Company	97,478	93,251	4.53	79,818
Total share capital	7,757	7,757	-	7,757

SECTION 3 FINANCIAL SUMMARY

KEY FINANCIAL INDICATORS

Items	2023	2022	Increase/ decrease as compared to the same period last year (%)	2021
Basic earnings per Share (RMB Yuan/Share)	0.78	0.86	-9.30	1.25
Diluted earnings per Share (RMB Yuan/Share)	0.78	0.86	-9.30	1.25
Return on weighted average equity (%)	8.61	10.05	Decreased by 1.44 percentage points	15.86

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

Items	December 31, 2023	December 31, 2022	Increase/ decrease as compared to the same period last year (%)	December 31, 2021
Net assets per Share attributable to equity holders of the Company (RMB Yuan/Share)	12.57	12.02	4.58	10.29
Gearing ratio (%)	76.88	76.67	Increased by 0.21 percentage point	77.76

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

The net assets per Share attributable to equity holders of the Company shown in the table above included the perpetual subordinated bonds issued by the Company. After excluding such impact, the net assets per Share attributable to ordinary equity holders of the Company as at the end of Reporting Period was RMB9.36 (December 31, 2022: RMB8.81).

SECTION 3 FINANCIAL SUMMARY

NET CAPITAL AND RELEVANT RISK CONTROL INDICATORS OF THE COMPANY

Items	December 31, 2023	December 31, 2022
Net capital (RMB million)	66,859	66,252
Net assets (RMB million)	91,856	88,848
Total risk capital reserves (RMB million)	41,217	29,282
Risk coverage ratio (%)	162.21	226.26
Capital leverage ratio (%)	14.02	15.17
Liquidity coverage ratio (%)	208.63	235.00
Net stable funding ratio (%)	151.21	142.44
Net capital/net assets (%)	72.79	74.57
Net capital/liabilities (%)	22.21	22.92
Net assets/liabilities (%)	30.51	30.73
Proprietary equity securities and securities derivatives/net capital (%)	13.98	9.57
Proprietary non-equity securities and securities derivatives/ net capital (%)	350.13	321.63

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

FINANCIAL POSITION FOR THE LAST FIVE YEARS

Profit Status

Unit: RMB million

Items	2023	2022	2021	2020	2019
Total revenue and other income	33,979	36,471	39,033	30,720	19,407
Total expenses	25,615	27,012	26,014	18,606	12,245
Share of profits and losses of associates	7	14	2	12	-8
Profit before income tax	8,372	9,472	13,021	12,126	7,154
Net profit attributable to equity holders of the Company	7,034	7,519	10,239	9,509	5,502

SECTION 3 FINANCIAL SUMMARY

Assets Status

Unit: RMB million

Items	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Share capital	7,757	7,757	7,757	7,757	7,646
Total equity	97,526	93,296	80,006	68,071	56,895
Equity attributable to equity holders of the Company	97,478	93,251	79,818	67,735	56,582
Total liabilities	425,226	415,910	372,785	303,157	228,775
Accounts payable to brokerage clients	100,924	109,294	93,083	74,710	54,626
Total assets	522,752	509,206	452,791	371,228	285,670

KEY FINANCIAL INDICATORS

Items	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Dividends per Share (RMB Yuan)	0.25 (Budget)	0.27	0.395	0.375	0.235
Basic earnings per Share (RMB Yuan/Share)	0.78	0.86	1.25	1.20	0.67
Diluted earnings per Share (RMB Yuan/Share)	0.78	0.86	1.25	1.20	0.67
Return on weighted average equity (%)	8.61	10.05	15.86	18.12	11.54
Gearing ratio (%)	76.88	76.67	77.76	77.04	75.37

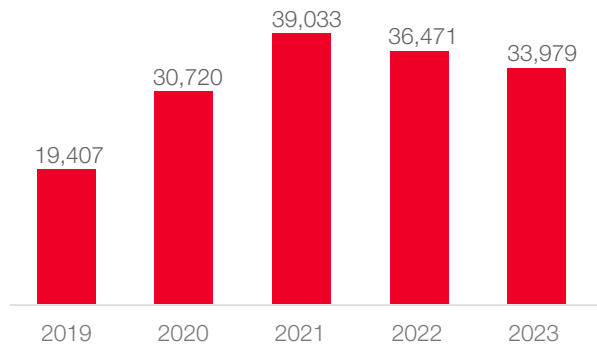
Notes:

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

SECTION 3 FINANCIAL SUMMARY

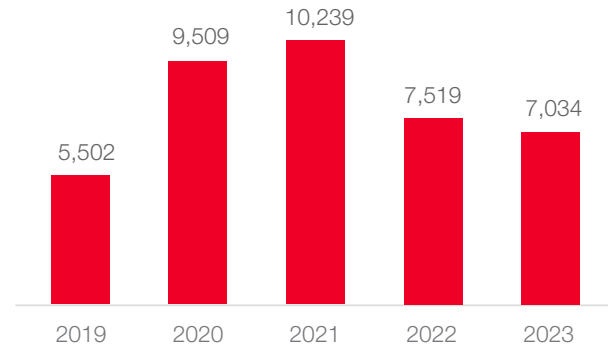
Total revenue and other income

(Unit: RMB million)



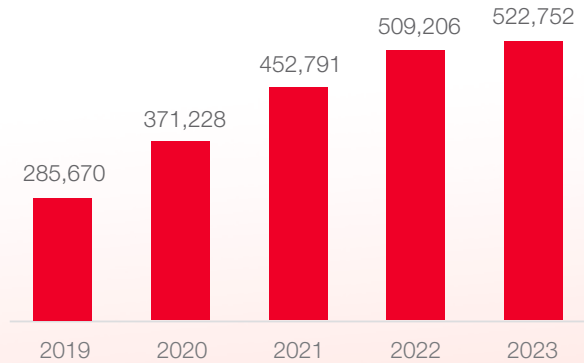
Net profit attributable to equity holders of the Company

(Unit: RMB million)



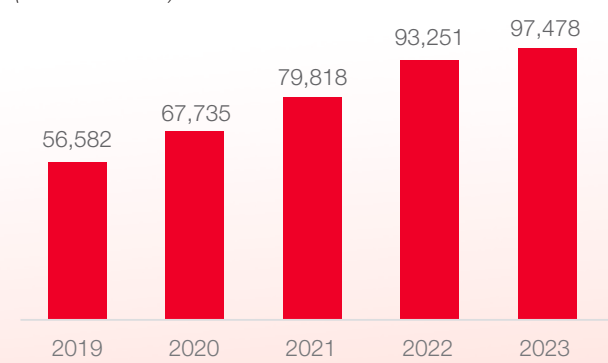
Total assets

(Unit: RMB million)

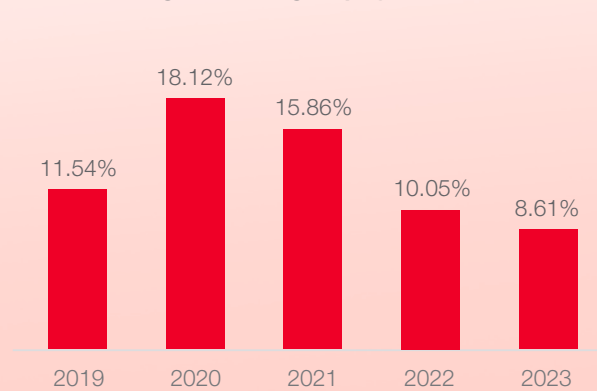


Equity attributable to equity holders of the Company

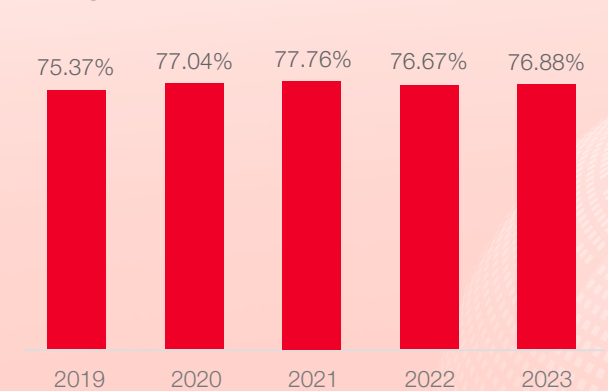
(Unit: RMB million)



Return on weighted average equity



Gearing ratio



SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

(I) Overview

As of December 31, 2023, the total assets of the Group were RMB522,752 million, representing an increase of 2.66% as compared to December 31, 2022; equity attributable to equity holders of the Company was RMB97,478 million, representing an increase of 4.53% as compared to December 31, 2022; during the Reporting Period, total revenue and other income of the Group amounted to RMB33,979 million in aggregate, representing a year-on-year (“YoY”) decrease of 6.83%; total expenses amounted to RMB25,615 million, representing a YoY decrease of 5.17%; net profit attributable to equity holders of the Company amounted to RMB7,034 million, representing a YoY decrease of 6.45%.

(II) Analysis of Principal Businesses

The principal businesses of the Group comprise four segments: investment banking business segment, wealth management business segment, trading and institutional client services business segment, and asset management business segment. During the Reporting Period, total revenue and other income of the investment banking business segment amounted to RMB5,029 million in aggregate, representing a YoY decrease of 18.56%; total revenue and other income of the wealth management business segment amounted to RMB9,796 million in aggregate, representing a YoY increase of 6.88%; total revenue and other income of the trading and institutional client services business segment amounted to RMB14,526 million in aggregate, representing a YoY increase of 21.12%; total revenue and other income of the asset management business segment amounted to RMB1,502 million in aggregate, representing a YoY decrease of 13.23%.

1. Investment Banking Business Segment

(1) Equity Financing Business

In 2023, a total of 611 equity financing projects were issued in the whole market, representing a YoY decrease of 18.53%, and the funds raised amounted to RMB771.935 billion, representing a YoY decrease of 35.19%. Among them, IPO projects amounted to 314, representing a YoY decrease of 24.52%, and the funds raised amounted to RMB358.971 billion, representing a YoY decrease of 31.27%; equity refinancing projects amounted to 297, representing a YoY decrease of 11.08%, and the funds raised amounted to RMB412.964 billion, representing a YoY decrease of 38.25%. (Sources: Wind Info and statistics on issue date, excluding asset-oriented private placement)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Company completed 67 equity financing projects, with a lead underwriting amount of RMB94.776 billion, both ranking No. 2 in the industry. Among them, there were 33 IPO projects as a lead underwriter, with a lead underwriting amount of RMB40.754 billion, ranking No. 2 and No. 3 in the industry, respectively; the Company completed 34 equity refinancing projects, with a lead underwriting amount of RMB54.022 billion, ranking No. 2 and No. 3 in the industry, respectively. The Company sponsored 4 IPO projects for central government-owned enterprises, ranking No. 1 in the industry for five consecutive years. The Company effectively played the role of finance to support the real economy and actively carried out its business with a focus on the national strategy. The Company served 30 IPO projects in strategic emerging industries and 15 IPO projects for national-level “little giant” enterprises that used special and sophisticated technologies to produce novel and unique products, ranking No. 1 in the market in terms of the number of IPOs sponsored on both of the STAR Market and ChiNext Board or for “little giant” enterprises that used special and sophisticated technologies to produce novel and unique products. The enterprises served included Hunan Yuneng, a domestic major supplier of lithium-ion battery cathode materials, Peric Special Gases, a leading enterprise in electronic specialty gases, ASNH, a domestic pioneer in air defense early-warning radar, Southchip, a domestic leading enterprise in the design of analog and embedded chip, XDLK, a leading enterprise in MEMS (Micro Electro Mechanical Systems) inertial sensor, Chipmore, a high-end and advanced packaging and testing service provider of integrated circuits, PYLONTECH, an energy storage battery system supplier, Risen Energy, a photovoltaic new energy enterprise, BAIC BluePark, a pioneer in the new energy automobile industry, and others. The Company continued to implement the strategy of rural revitalization, boosted shared prosperity and assisted SC GOLD, an issuer located in Muli Tibetan Autonomous County, Liangshan Prefecture, which was once a key county for national poverty alleviation and development work, and a deeply underprivileged county, in completing its IPO project. In addition, the Company also completed eight convertible bond projects, with a lead underwriting amount of RMB13.538 billion. (Sources: Wind Info and statistics of the Company)

In 2023, the Company completed the listing of 13 companies on the NEEQ, and the private placement of 21 companies listed on the NEEQ, raising funds of RMB520 million; as of the end of the Reporting Period, the Company continued to supervise 51 innovative companies on the NEEQ. (Sources: NEEQ Co. Ltd. and Choice Financial Terminal)

For project reserves, as of the end of the Reporting Period, the Company had 61 IPO projects under review, ranking No. 2 in the industry; 24 equity refinancing projects (including convertible bonds) under review, ranking No. 2 in the industry. (Sources: CSRC, Shanghai and Shenzhen Stock Exchanges, Wind Info and statistics of the Company)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Details of the equity financing business sponsored and underwritten by the Company in 2023 were shown in the table below:

Items	2023		2022	
	Amount of lead underwriting (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Number of offerings
IPO	407.54	33	587.06	41
Refinancing issuance	540.22	34	746.82	38
Total	947.76	67	1,333.88	79

Source: Statistics of the Company

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

For overseas business, in 2023, China Securities International participated in and completed a total of eight IPO sponsorship projects in Hong Kong market, with an equity financing scale of HK\$8.327 billion.

Outlook for 2024

In 2024, both challenges and opportunities will exist for the investment banking business. The Central Financial Work Conference has proposed to optimize the financing structure, better leverage the hub function of the capital market, and promote the deepening and implementation of the stock issuance registration system. In March 2024, the CSRC centrally issued four policy documents, including the “Opinions on Strictly Controlling Issuance and Listing Entry and Improving the Quality of Listed Companies at the Source (Trial)”, which have clarified the direction for the high-quality development of investment banking business. The Company will deeply implement the spirit of the Central Financial Work Conference, actively carry out a series of policies from the CSRC, comprehensively serve the national strategic layout, continuously improve the quality and effectiveness of serving the real economy, and strive to build a first-class investment bank. In terms of equity financing business, the Company will continue to improve its project identification, valuation and pricing, and sponsoring and underwriting capabilities, strengthen its quality control work, and properly act as a “gatekeeper” in the capital market; further deepen the matrix layout of “industry + region + product”, adhere to “customer-oriented” principle, provide customers with full-life-cycle and full-product high-quality services, and properly act as a direct financing “service provider”; focus on technological innovation, contribute to the high-level technological development, and help to accelerate the formation of new quality productivity; take the deepening reform of the BSE as an opportunity, and strongly support the innovative development of small and medium-sized enterprises that use special and sophisticated technologies to produce novel and unique products. At the same time, under the premise of complying with the laws and regulations, the Company will strengthen the coordinated development with other businesses of investment and other companies, and further enhance its capabilities in the high-quality development of financial services.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

For overseas business, China Securities International will continue to promote the integration of investment banks in mainland China and Hong Kong, continue to expand its business scope in Hong Kong market, diversify different types of products, such as the homecoming of China-concept stocks, privatization of Hong Kong listed companies and cross-border acquisitions, and further enhance the capability to provide comprehensive services to clients.

(2) Debt Financing Business

In 2023, the yield rate of the bond market showed a fluctuating pattern, and the bond financing cost showed an overall downward trend. The issuance scale of credit bonds in the whole market (excluding interbank certificates of deposit) was RMB18,790.949 billion, representing a YoY increase of 5.62%.

In 2023, the Company continued to maintain a good development momentum for its debt financing business, and completed a total of 3,280 lead underwriting projects, with a lead underwriting scale of RMB1,545.706 billion, both ranking No. 2 in the industry. Among them, there were 1,007 corporate bond projects under the lead underwriting, ranking No. 1 in the industry, with a lead underwriting scale of RMB417.967 billion, ranking No. 2 in the industry. (Sources: the Securities Association of China and Wind Info)

In 2023, the Company actively implemented major national strategic policies, and led the underwriting of 105 green bonds, with a lead underwriting scale of RMB62.621 billion, among which there were 21 carbon neutral special bonds, with a lead underwriting scale of RMB7.702 billion. The Company led the underwriting of the Guangdong-Hong Kong-Macao Greater Bay Area green technology innovation corporate bonds (blue bonds) of CGN Wind Power, which was beneficial to facilitate the sustainable utilization of ocean wind energy resources and support further optimization of energy structure and layout in the Guangdong-Hong Kong-Macao Greater Bay Area. The CSC-SPIC New Energy REIT project, in which the Company acted as the scheme manager and financial advisor and China Fund acted as the fund manager, was the first offshore wind power infrastructure public REITs project in China, whose target assets were high-quality large-scale offshore wind power projects and ancillary operation and maintenance stations, and was also the first central government-owned new energy infrastructure public REITs project in China. The Company led the underwriting of 148 technology innovation corporate bonds and technology innovation instruments, with a lead underwriting scale of RMB64.560 billion. The Company ranked No. 2 in the industry both in terms of the number and amount for the lead underwriting of technology innovation corporate bonds. (Source: the Securities Association of China)

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The debt financing business of the Company in 2023 were shown in the table below:

Items	2023			2022		
	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings	Amount of lead underwriting (RMB'00 million)	Total project scale (RMB'00 million)	Number of offerings
Corporate bonds	4,179.67	10,878.96	1,007	4,342.19	9,880.22	789
Enterprise bonds	236.92	820.10	42	298.14	689.70	59
Convertible bonds	135.38	165.38	8	460.30	1,197.05	20
Financial bonds	3,085.21	18,196.40	190	2,539.78	16,802.57	143
Others	7,819.89	63,938.28	2,033	5,427.21	37,281.10	1,490
Total	15,457.06	93,999.12	3,280	13,067.62	65,850.64	2,501

Source: Statistics of the Company

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

For overseas business, in 2023, China Securities International participated in and completed 105 bond underwriting projects in offshore market, with an underwriting scale of HK\$223.8 billion, among which, there were a total of 44 global coordinator projects, with an underwriting scale of HK\$71.9 billion.

Outlook for 2024

In 2024, the Company will continue to thoroughly implement the requirements of the Company's "14th Five-Year Plan" and focus on high-quality development when carrying out the debt financing business. The Company will further promote the matrix layout of "industry + region + product", continuously improve the customer service system, continuously strengthen the prevention and control of business risks, maintain stable project reserves, continuously develop innovative businesses, achieve the development pattern of comprehensive product offering and balanced development, and continuously enhance the overall strength of the debt financing business.

For overseas business, China Securities International will continue to provide high-quality products and services for enterprises in offshore bond projects, continuously expand rating consultancy and green structure consultancy services, enrich debt financing derivative products, and continue to give play to the advantage of integrated strategic cooperation between domestic and overseas teams, so as to expand the area of cooperation with enterprises and form full-chain service capability for offshore bonds.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Financial Advisory Business

In 2023, A-share listed companies completed a total of 78 projects of acquisition of assets through issuance of shares and major asset restructuring, with a transaction amount of RMB319.008 billion. Among them, the Company completed 9 projects of the acquisition of assets through issuance of shares and major asset restructuring, ranking No. 3 in the industry; the transaction amount was RMB69.609 billion, ranking No. 2 in the industry. For project reserves, as of the end of the Reporting Period, the Company had two projects which were under review and which had been reviewed but not yet been completed, ranking No. 4 in the industry. (Sources: Wind Info and statistics of the Company)

For overseas business, as of the end of the Reporting Period, China Securities International participated in and completed four financial advisory projects in the Hong Kong market.

Outlook for 2024

In 2024, the Company will adhere to the customer-oriented principle, increase the investment of central government-owned enterprises, state-owned enterprises and industry-leading clients in merger and acquisition business, strive to grasp the opportunities of state-owned assets integration, M&A and reorganization in the industry in line with the national industrial policy, consolidate its advantages in the field of financial advisory for bankruptcy reorganization of listed companies, and actively engage in cross-border business, to continuously enhance the market influence and overall and comprehensive service capability of the Company's merger and acquisition business, and help listed companies realize high-quality development through its M&A and reorganization financial advisory service.

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

2. Wealth Management Business Segment

(1) Brokerage and Wealth Management Business

In 2023, the average daily trading volume for stock funds in Shanghai and Shenzhen A-share markets was RMB813.1 billion, representing a YoY decrease of 8% (Source: Shanghai and Shenzhen Stock Exchanges). Throughout the year, the markets for the SSE Composite Index and the major broad-based indexes were under pressure, with significant fluctuations in trading volumes in both markets, and investors had a more cautious attitude towards stock trading and equity wealth management, so the brokerage business operations faced challenges.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Company actively integrated its resources, built an integrated client services platform and ecological chain to develop businesses, continuously adhered to the customer-oriented principle, continued to strengthen the core competitiveness of the brokerage business by improving service levels and enriching service methods, and strived to fulfill diversified wealth management needs of clients at different levels. For securities brokerage and wealth management businesses, the Company took “making it no longer difficult to maintain and increase the value of wealth” as its mission, continued to strengthen the efforts in customer development, product sales and professional trading customer service, improved the construction of operation system, accelerated the pace of technology empowerment, built a wealth iron army team, and continuously promoted the transformation of wealth management, laying a solid foundation for the successful completion of the Company’s “14th Five-Year Plan”. The Company further strengthened its customer development and product layout in the field of wealth management, achieving an increase in customer scale and product revenue. As of the end of 2023, the Company’s securities brokerage business had newly developed 1,217.6 thousand customers, with a cumulative of 13,373.2 thousand customers in the aggregate, representing a YoY increase of 10.20%, and total assets of customers were RMB5.14 trillion; the revenue from the agency sale of financial products increased by 3.97% YoY, and the scale of financial product increased by 2.37% YoY. Meanwhile, after years of steady development, the revenue structure of brokerage business became more balanced. The proportion of revenue for product business over that for securities brokerage business increased from 20.63% in 2019 to 42.99% in 2023, which represented the leading level in the industry. The Company continuously optimized the customer experience in the mobile transaction client-side APP, “Qingting Dianjin”, with average monthly active customers ranking No. 7 in the industry; continued to strengthen its leading advantage in the stock investment advisory service business, with its fund investment advisory business being progressed well; kept optimizing its financial product system and continuously uplifting the supply of various products. As of the end of the Reporting Period, the Company had 317 branches for brokerage business (excluding Shanghai Free Trade Zone Branch), of which 57% were located in the Five Provinces and Two Municipalities (Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong), among which there were 55 branches in Beijing, making it the securities company with the most securities branches established in Beijing. The Company had a large number of securities branches which were orderly distributed, laying a solid foundation for the steady development of wealth management business.

For futures brokerage and wealth management businesses, as the futures market in China significantly rebounded in 2023, the cumulative trading volume and the trading turnover were 8.501 billion lots and RMB568.51 trillion, respectively, representing a YoY increase of 25.60% and 6.28%, respectively. China Futures continuously improved the level of Internet marketing and collaborative cooperation based on the good development that had been achieved in recent years, achieving a continuous improvement in major financial indicators and business indicators. In 2023, China Futures achieved its best historical results in both operating revenue and net profit, achieving an agency transaction amount of RMB20.69 trillion, representing a YoY increase of 39.18%; the number of new customers increased 28.78% YoY; at the end of the period, the scale of customer equity increased 17.08% YoY; at the end of the period, the scale of asset management ranked No. 2 in the industry. As of the end of the Reporting Period, China Futures had set up 29 branches and set up a subsidiary in charge of risk management in Chongqing, laying a solid foundation for the development of futures brokerage and risk management businesses.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

For overseas business, in 2023, the aggregate stock agency transaction amount of China Securities International was HK\$72.135 billion; the number of customers increased by 232, the aggregate number of customers was 25,907 as of the end of the Reporting Period, and the total market value of the shares of customers under custody amounted to HK\$23.608 billion. In 2023, China Securities International timely adjusted its business development strategies, deepened its collaborative cooperation within the group, intensified the development of high-net-worth individual clients and corporate institutional businesses, strengthened the formation of capabilities for the sale of financial products, and significantly improved its transaction volume ranking. The Company has become one of the HKEX B-group securities firms for the first time in terms of transaction volume in the third quarter of 2023 with its market recognition increasing continuously.

Outlook for 2024

For securities brokerage and wealth management businesses, the Company will focus on source, innovation and upgrading, continuously increase the income from the securities brokerage business and the market shares in key regions, enhance the technology empowerment, optimize the service system, improve the operation efficiency, prevent operation risks, strengthen the competitiveness of the three major brands of “good investment advisors, good products and good transactions”, strive to become a good “manager” of social wealth, and continue to promote the high-quality development of wealth management.

For futures brokerage and wealth management businesses, in 2024, with the comprehensive implementation of the Futures and Derivatives Law and its supporting systems, futures companies will face higher and more comprehensive regulatory requirements and fiercer competition in terms of capital, personnel, professional capability, risk control and other aspects. Focusing on serving the real economy remains the most important development direction for the entire industry. Based on the overall development approach of “identifying the right position, strengthening professionalism, improving service, and guarding the bottom line”, China Futures will improve service quality focusing on serving the real economy and explore development directions that are suitable for itself.

For overseas business, China Securities International will continue to firmly adhere to its principal business, and do a good job in the overseas platform construction for the securities business of the Company by taking advantage of the brand and the integrated domestic and overseas business platform of the Company, so as to continuously enrich its overseas business and product types with the aim of stable development and seeking breakthroughs, enhance the professional and international standard of the teams, and optimize its overseas asset allocation capabilities, helping customers achieve the goal of value preservation and appreciation of global assets.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Margin Financing and Securities Lending Businesses

In 2023, the scale of margin financing and securities lending businesses in the whole market increased. As of the end of the Reporting Period, the balance of margin financing and securities lending in Shanghai and Shenzhen markets was RMB1,650.896 billion, representing a YoY increase of 7.17%. As of the end of the Reporting Period, the balance of margin financing and securities lending of the Company was RMB58.997 billion, with a market share of 3.57% and a integral maintenance margin ratio of 290.59%; there were 183.4 thousand margin financing and securities lending accounts, representing a YoY increase of 4.04%. (Sources: Wind Info and statistics of the Company)

For overseas business, there was a significant decline in the financing scale of the Hong Kong stock market in 2023. When the market fell, China Securities International strictly complied with various risk management policies and regulations for financing business formulated by regulatory agencies and the Company, and did a good job in managing and controlling customers' credit and securities held, so as to strictly control the risks while meeting the financing needs from the customers. As of the end of the Reporting Period, the balance of margin financing business of China Securities International was HK\$160 million.

Outlook for 2024

In 2024, for the margin financing and securities lending businesses, the Company will strive to improve the depth of service for high-net-worth clients, and further improve the professional and comprehensive service ability by expanding business channels, enhancing internal synergy, enriching business models and other measures; at the same time, promote the transformation of the achievement of financial technology, build customer online service ecology, promote the construction of product service systems and digital operation systems, and provide customers with diversified, intelligent and personalized product services.

For overseas business, China Securities International will focus on exploring the needs of high-quality transactional financing clients, strictly controlling the quality of customers and collaterals, and further optimizing multi-market and multi-variety financing businesses on the basis of implementing the Company's principle of prioritizing risk control.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(3) Repurchase Business

In 2023, the stock-pledged repurchase business achieved a steady and healthy development in the market. As of the end of the Reporting Period, the balance of principal of stock-pledged repurchase business of the Company was RMB8.820 billion. Among them, the balance of principal of investment (on-balance sheet) stock-pledged repurchase business amounted to RMB5.518 billion, with an average collateral coverage ratio of 248.35%; the balance of principal of management (off-balance sheet) stock-pledged repurchase business amounted to RMB3.302 billion. (Source: statistics of the Company)

Outlook for 2024

In 2024, under the prerequisite of ensuring that risks are measurable, controllable, and bearable, the Company will stably and prudently carry out stock-pledged repurchase business. The Company will accelerate resource integration, and provide comprehensive financial service to strategic customers; strengthen risk identification on listed companies leveraging on its own investment research capability, and continuously prevent business risks; continuously improve asset quality of stock-pledged repurchase business of the Company through internal refined management.

3. Trading and Institutional Client Services Business Segment

The trading and institutional client services business segment of the Group mainly comprises stock sales and trading businesses, fixed-income products sales and trading businesses, investment research business, prime brokerage business, QFI and WFOE businesses, and alternative investment business.

(1) Stock Sales and Trading Businesses

The stock sales and trading businesses of the Company mainly provide trading, advisory and research services, and sell stocks underwritten by the Company to institutional clients. The Company is also engaged in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and income swaps, and provides clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demands of institutional clients.

For stock trading business, against the backdrop of significant fluctuations and obvious structural divisions in the whole A-Share market in 2023, the Company adhered to the business orientation of absolute gains and strengthened risk control for its stock trading business. For derivatives trading business, the Company further expanded the types of investment transactions and the scope of market-making services, and provided liquidity and market-making services for stocks, funds, options, futures and other products in the exchanges; steadily promoted the over-the-counter derivative business, and continuously strengthened digital construction, so as to meet the needs of customers for asset allocation and risk management; actively expanded cross-border derivatives business, providing global asset allocation service and risk management service to domestic and foreign customers, with types of transactions covering international mainstream markets; continuously improved the strategy index product system represented by “CSC World Asset Risk Parity Macro Hedge Index (WARPMACRO)”, providing customers with diversified product service and trading service through continuously improving the product design capabilities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

For stock sales business, the Company completed the sales of 67 stock projects as a lead underwriter in 2023, with a cumulative sales amount of RMB94.776 billion, including sales of 33 IPO projects, 33 projects for non-publicly issued shares and one project for rights issue, and completed 8 convertible bond projects. The Company achieved another success for its overall stock sales business and completed multiple projects with high market influence, and the underwriting amount of IPO projects and equity refinancing projects both ranked No. 3 in the industry. (Sources: statistics of the Company and Wind Info)

For overseas business, the institutional sales and trading businesses of China Securities International mainly provided trading, advisory and research services, and sold stocks underwritten by the Company to institutional clients in 2023. China Securities International formed a cross-industry, cross-market and cross-asset class investment research service matrix, constantly improving the service system for institutional clients, further enhancing the Company's influence in the secondary stock market in Hong Kong and gradually establishing brand awareness. As of the end of the Reporting Period, the cumulative number of institutional clients for the institutional sales and trading businesses of China Securities International was 528, and the institutional clients' cumulative stock trading volume realized in 2023 was HK\$46.474 billion.

Outlook for 2024

In 2024, with regard to stock trading business, the Company will continue to closely track the domestic and foreign macro-economic situation and policy changes, conduct in-depth research on the industry and individual stock opportunities, adhere to the value investment philosophy for the allocation of sectors and individual stocks, actively focus on phased and structural opportunities on the basis of strictly controlling risks, and steadily promote diversified types of investment. In order to meet the customers' needs for asset allocation and risk management, the Company will actively promote the development of the over-the-counter derivative business, continuously promote the cross-border business, continuously enrich the strategy index product system, provide solutions to meet various needs of customers, continuously expand the resources investment in the market-making field, and improve the principal investment system.

For overseas business, China Securities International will fully promote the supporting efforts of overseas investment research business for stock sales and trading businesses, and further build the company's overseas investment research brand.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) *Fixed-income Products Sales and Trading Businesses*

The fixed-income business of the Company covers, among others, proprietary trading, market making, sales, investment advisory and related cross-border businesses in the FICC field, providing all-round, multi-level and one-stop comprehensive services for domestic and foreign corporate and institutional customers, and the scope of service covers fields such as interest rates, credits, exchange rates, commodities, structured products and related derivatives.

In 2023, the domestic economy stabilized and showed a trend of recovery, policies were implemented continuously, overseas inflation pressures eased, and monetary tightening policies gradually came to an end; the overall liquidity of the domestic bond market was loose, interest-rate bonds showed a fluctuating downward trend, and credit spreads were comprehensively compressed, with an increase of 4.78% in the ChinaBond Composite Index throughout the year. In 2023, the fixed-income business of the Company steadily facilitated the construction of a “dual-platform” system that integrated buyer-side investment research with customer demand-based trading. The Company continued to maintain the industry-leading position for the bond sales business, with the credit bond sales scale ranking No. 2 among domestic financial institutions (Source: Bloomberg L.P.), and vigorously developed non-directional trading on the basis of leveraging on its traditional strengths in bond product business, continuously iterating and upgrading neutral and quantitative strategies; continued to enrich the types of derivatives, foreign exchanges, commodities and other related FICC products, with its foreign exchange and gold trading volume both ranking among the top in the industry; newly obtained the qualification for proprietary participation in carbon emissions trading business, and completed multiple carbon quota transactions in the carbon markets of Shanghai and Hubei. The Company adhered to the philosophies such as “serving the real economy” and “customer-oriented”, spared no efforts to deploy the customer demand-based trading platform, newly launched bond index income swap business with the themes of “rural revitalization” and “green finance”, completed credit protection tools for six physical enterprise bonds, and supported the capital market in fulfilling its role in allocating resources for social responsibility and green development. The construction of the entire market-making map spanning the Inter-Bank Bond Market, the Shanghai and Shenzhen Stock Exchanges, as well as the Treasury bond futures market has been completed, and the market-making system independently developed by the Company boosted the annual market-making volume of Treasury bond futures to exceed the nominal principal of RMB3 trillion; newly launched the exchange-traded bond market-making business, with an annual market-making volume exceeding RMB2 trillion; was honored the “Northbound Top Market Maker” by Bond Connect Company Limited for two consecutive years with its transaction volume in the Inter-bank Bond Market exceeding RMB11 trillion. The Company launched derivative investment advisory services to enrich the types of “Fixed Income-Plus” strategies and further enhance the wealth management service capability. The Company vigorously promoted the construction of the FICC intelligent platform, used artificial intelligence algorithms to recommend and sell bonds, opened our self-developed platform to investment advisory customers to create a customer-based ecology, and comprehensively improved customer experience.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

For overseas business, the integrated management and collaboration of fixed income business became increasingly stable, and internal operations ran smoothly. The multi-asset investment business for FICC increased steadily in scale, with a sound performance of the investment yield and increasingly diverse investment varieties. The sales and trading businesses further improved the service quality, and the market-making trading and agency trading became increasingly active, with the coverage of domestic and foreign customers being deepened. Various product businesses such as cross-border returns swap and structured paper gradually transferred towards customer demand-based service, further improved their business types, and enhanced their neutral strategic revenue.

Outlook for 2024

In 2024, the FICC business of the Company will continue to adhere to the business philosophy of “professionalism, customer first, international vision and pursuit of excellence”, and leverage its professional advantages to serve the high-quality development of the real economy focusing on the deployment of various national strategies and the development direction of the securities industry; continuously iterate and promote the construction of investment research and customer demand-based trading platforms, continuously enrich the customer product and service map, actively implement the development strategy of “specialization, internationalization and digitalization”, and strive to become a reliable product supplier, strategy provider and transaction service provider for domestic and overseas customers.

For overseas business, China Securities International will adhere to increase investment business returns based on the permanent principle of keeping risks controllable, while further improving service quality and providing diversified solutions for domestic and foreign customers; strengthen the sales of the bond underwriting business projects in the primary market, expand customer coverage, deeply understand customers’ needs, and maintain the underwriting ranking of Chinese USD bond; deepen the transformation and development of customer demand-based business, enrich product lines, and continuously refine business processes.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(3) *Investment Research Business*

The research business of the Company mainly provides institutional clients with research consultation services covering macroeconomy, fixed income, strategy, financial engineering, large-scale asset allocation, fund research, industry research and other fields. The Company's major clients include mutual funds, insurance companies, National Social Security Fund, banks and bank wealth management subsidiaries, private funds, securities firms, trust companies and other domestic and foreign financial institutions, and the Company provides clients with research reports and various personalized research consultation services.

In 2023, the Company strengthened the in-depth research, enhanced the synergies in industry chain research, actively organized researches on the themes of various industry chains, vigorously increased the strategic customer coverage rate, significantly increased the frequency of services to key customers, strengthened the diversification of revenue sources, and further enhanced the refinement of business management and the effectiveness of compliance management by taking advantage of the increase in the informatization rate, continuously optimizing the business management process, and improving the functions of data statistics, sharing and analysis. As of the end of the Reporting Period, the research and sales team of the Company had a total of 292 members, and the research business was divided into 10 industry segments covering 38 research fields. During the Reporting Period, the Company completed a total of 6,685 securities research reports, among which 714 research reports were released to the Hong Kong market (including in Hong Kong separately or in two places including Hong Kong simultaneously), with a full coverage of market focuses such as "valuation system with Chinese characteristics", "artificial intelligence" and "digital economy", provided 53,268 online and offline roadshows for institutional customers, conducted 7,835 investigations, and successfully organized large conferences including "Development Following Overall Situations • Capital Market Summit 2024" ("聚勢而起•2024年度資本市場峰會"), the Spring Capital Market Summit named "Spring blossoms for a bright future" ("春暖花開•鵬程萬里") and the Interim Capital Market Summit named "Gather strength for a new pattern and welcome new opportunities together" ("聚力新格局, 共迎新機遇"), and other various professional research service activities. In the first half of 2023, the market share of the income from mutual fund commissions of the Company was 5.12%, ranking No. 2 in the industry (Source: Wind Info).

For overseas business, since the implementation of the integration of domestic and foreign research, the Company fully mobilized research resources from both places to continue serving overseas institutional customers, leveraging the advantages of an international talent team, establishing an English product system, and systematically promoting the coverage of high-quality overseas targets. The Company provided high-quality investment research services according to the investment preferences and research needs of overseas institutional customers, cooperated with overseas institutional sales teams to actively cover foreign institutional customers, implemented a normalized roadshow mechanism for industry chief analysts in Hong Kong, and actively collaborated with the Company's primary market business lines to jointly enhance the influence of China Securities International in the Hong Kong market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2024

In 2024, the research business of the Company will effectively grasp the current market structural opportunities under the moderate recovery of the macro-economy, strengthen research on fields such as digitalization, artificial intelligence, high-end manufacturing and ESG, and continuously improve the breadth and depth of research business coverage. Against the backdrop of complicated and changing internal and external environment and the downward trend of mutual fund commissions, the Company will further increase its investment in financial technology for its investment research business, improve the informatization of its compliance management, enhance data accumulation and sharing, improve its basic work efficiency of researchers through information means, and reduce costs, enrich digital assets and improve the level of digital services for clients through data collection and sharing; enhance its diversified profitability and increase its revenue from the overseas business.

(4) Prime Brokerage Business

The Company provides market-leading full-chain prime brokerage services to institutional clients, including trading service, account service, product design and agency sales, institutional investment and financing service, asset custody service, product operating service, research service, financing solution and value-added services.

As one of the securities companies that possesses and undertakes the widest range of businesses, and supports most types of prime brokerage systems, the Company has currently supported markets and types of transactions including margin financing and securities lending, stock index futures, commodity futures, stock options, BSE, Southbound Trading and over-the-counter mutual funds to offer its clients with convenience and favorable experience in carrying out various businesses at the same time; the self-developed algorithmic trading platform embedded in the prime brokerage system maintains an industry-leading algorithmic trading execution efficiency, which is widely recognized and trusted by clients such as banks, insurance companies, mutual funds, private funds, enterprises and high-net-worth individuals, including clients for QFI business. New services such as BSE stocks, Shanghai and Shenzhen REITs and commodity futures algorithm trading have also satisfied customers' diversified trading needs. The Company's self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, mutual funds and insurance asset management institutional clients. In 2023, the Company's turnover for the prime brokerage business continued to grow, the trading effect of algorithmic trading continued to optimize, and the types and scale of customers continued to expand. As of the end of the Reporting Period, the number of existing customers in the Prime Brokerage (PB) system of the Company was 12,953, representing a YoY increase of 38.71%; a total of 31 mutual fund companies and 10 insurance asset management institutions used the Company's algorithm trading services in the binding offer, and a total of 193 customers used the agency commissioning service of the Company, with a total of 266 targets traded.

As of the end of the Reporting Period, as 88 mutual funds were in the custody of CSC, the Company ranked No.1 in the industry in terms of its mutual fund custody quantity. As of the end of the Reporting Period, the Company's total size of fund custody and outsourcing services was RMB841.794 billion, increasing 5.83% YoY. Among them, 6,132 funds were custody products and 6,405 funds were outsourcing products, increasing 5.56% and 6.73% YoY respectively.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Outlook for 2024

In 2024, with the aim to constantly satisfy professional and institutional investors' trading needs, the Company will continue to improve its various types of prime brokerage systems and special counter services for institutions, and improve the transaction performance, the transaction completion and the transaction automations through the embedded algorithmic platform, so as to provide more convenient trading experience for clients. The Company will keep abreast of the changes in the market environment and regulatory policy to further build a diversified and personalized professional trading service system, so as to further meet the trading needs of various clients. For custody services, the Company will adhere to the operational service philosophy of "preciseness, professionalism and efficiency", promote the digital transformation of custody services, and leverage "platform empowerment, collaborative action, and precise docking" to exploit multi-business synergy, bringing "custody+" business model to a new level of excellence.

(5) QFI and WFOE Businesses

As a domestic brokerage and securities firm of QFIs and WFOEs, the Company has accumulated many years of experience in serving foreign customers and has focused on providing full-product one-stop financial services for foreign organizations such as QFIs and WFOEs. In 2023, the Company continuously and deeply explored the QFI and WFOE business opportunities through cross-border integrated sales and expanding its QFI/WFOE trading team, strengthened customer stickiness with the help of first-class securities research service resources, continuously upgraded and improved the trading system and trading algorithm, continuously optimized the account opening and trading processes, and made efforts to improve the investment and trading experience of foreign customers. Currently, the Company has formed a specialized investment trading service system for foreign organizations, which features rich securities research services, Beijing-Shanghai dual trading centers, advanced trading systems and intelligent trading algorithms.

Outlook for 2024

In 2024, under the background of two-way openness in finance, the Company will give full play to the regional advantages of China Securities International, a Hong Kong subsidiary, to further promote the development of cross-border integration, and continue to build a diversified network for foreign customers, enhance the development of the trading service capacity, and devote itself to providing industry-leading securities research and trading services for foreign customers including QFIs and WFOEs. At the same time, the Company will integrate its advantageous resources, initiate active coordination to provide foreign institutional customers with high-level, all-round, diversified and differentiated comprehensive financial services, and strive to vigorously improve the sales capacity of all range of products and the service capacity for the whole line covering derivatives, margin financing and securities lending, block trading and other businesses by means of professional services based on research business, promote the maximization of the income of customers, enhance the Company's international influence and facilitate the coordinated development of the domestic and foreign businesses of the Company.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(6) Alternative Investment Business

In 2023, China Securities Investment adhered to the principle of “maintaining stable and sustainable development” and the concept of “serving the real economy, technological innovation, economic transformation and national strategy”, focused on the investment scope with equity investment as its principal business, and pan-equity investment and innovative investment business as its secondary business and did a good job in project development, reserve and investment layout in an orderly manner based on the premise of strictly controlling the quality of the project. China Securities Investment completed 26 investment projects (including 10 IPO co-investment projects on STAR Market) with an investment amount of RMB1.335 billion during the Reporting Period.

Outlook for 2024

In 2024, China Securities Investment will adhere to integrity and innovation on the basis of insisting on its own strategic positioning and investment philosophy, optimize its investment layouts and investment strategies in due course, explore cutting-edge technology investment, long-term asset holding and other innovative investment strategies, further improve the support for technology innovation and national strategies, and improve the overall balance of its asset portfolio to enhance its ability to resist market cycles and fluctuations.

4. Asset Management Business Segment

The asset management business segment of the Group mainly includes asset management business of the securities companies, fund management business and private equity investment business.

(1) Asset Management Business of the Securities Companies

In 2023, China continued to deepen its financial reforms, continuously improved its multi-level capital market system, and continuously enhanced its asset management business system, so that the industry entered a new stage of high-quality development. At the same time, affected by factors such as stricter regulatory rules and market fluctuations, the development of the asset management industry faced many challenges, the industry underwent structural adjustments at multiple levels such as funding, strategy, products and other aspects, and asset management institutions for securities firms needed to continuously strengthen the construction of core investment research capabilities, steadily improve product innovation capabilities, promote the application of financial technology, leverage the advantages of the entire business chain, and form a differentiated development path, so as to drive the high-quality business development.

In 2023, with regard to the asset management business, the Company adhered to the “customer-oriented” philosophy, vigorously enhanced its active management capabilities, focused on giving full play to the unique advantages of securities firms in asset management, comprehensively made arrangements for its product lines, created a distinctive product spectrum, provided comprehensive product strategies and diversified services to meet the needs of investors for different terms, strategies and risk preferences, and significantly improved its marketing and customer service levels. At the same time, the Company promoted the establishment of its asset management subsidiaries in an orderly manner.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

As of the end of the Reporting Period, the Company's entrusted asset management scale reached RMB469.400 billion, including collective asset management business, targeted asset management business and specialized asset management business, with a scale of RMB120.736 billion, RMB160.423 billion, and RMB188.242 billion, respectively. There was a total of 648 products under management.

The scale of the Company's asset management business was shown in the table below:

Unit: RMB'00 million

Name of business type	Asset management scale	
	December 31, 2023	December 31, 2022
Collective asset management business	1,207.36	2,048.52
Targeted asset management business	1,604.23	1,303.18
Specialized asset management business	1,882.42	1,422.81
Total	4,694.00	4,774.51

Source: Securities Association of China

For overseas business, China Securities International actively improved its active management capability and customer expansion capability, and increased its asset management scale. Under the market situation that both of the Hong Kong stock market and the Chinese USD bond market experienced significant market fluctuations in 2023, China Securities International maintained steady development, and operated steadily under the regulation of meeting the risk control requirements, and the private fund products managed by it had good performance. At the same time, the company actively expanded its customer resources, developed high-quality new customers in the fiercely competitive market, and increased asset management scale, so as to ensure the steady development of its business. As of the end of the Reporting Period, the asset management business scale of China Securities International was approximately US\$105.10 million, of which bond investment management scale was approximately US\$5.70 million, the management scale of Balanced Fund was approximately US\$19.40 million, and the management scale of specialized client was approximately US\$80.00 million.

Outlook for 2024

In 2024, the Company will continue to enhance its active management capability, strengthen the construction of investment research system and the cultivation of investment research talents with the goal of becoming an all-around asset management institution, promote the transformation of research results into excellent investment performance, focus on market and customer needs, continuously improve customer service capabilities, deepen the channel service system, promote the implementation of new products and new strategies, comprehensively sort out the brand promotion system, and improve the brand recognition. Going forward, the Company will steadily promote the establishment and operation of its asset management subsidiaries, and continue to improve its market competitiveness and influence.

For overseas business, China Securities International will continue to actively establish comprehensive asset management product lines, provide high-quality services to customers, and do well in serving as a service window for overseas asset management business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(2) Fund Management Business

In 2023, the mutual fund industry experienced significant fluctuations due to the impact of the equity market, but there are still many opportunities in the future. In 2023, the non-monetary mutual fixed-income fund market maintained a sustained growth trend, and made significant progress especially in aspects such as investment strategies, product innovation and risk management. Such growth not only reflected the trust and recognition of investors in fixed-income funds, but also reflected the improvement of professional capabilities in asset allocation and risk management in the fund industry. Among them, medium- and long-term credit bond funds remained the mainstay of the market, with both of their scale and quantity occupying an important position. Meanwhile, other types of funds, such as active interest rate bond funds and “Fixed Income-Plus” funds, also showed a good development trend. Different types of funds met the diverse investment needs and risk preferences of investors, providing strong support for the stable development of the market.

In 2023, China Fund regarded mutual funds as its principal business, enhanced its market competitiveness primarily in aspects such as investment, sales and service of mutual fund products, actively adjusted its business structure, developed new businesses and continuously enriched its product system. As of the end of the Reporting Period, the asset management scale of China Fund was RMB93.759 billion, of which, the management scale of public offering products was RMB68.152 billion, representing a YoY increase of 20.71%; the management scale of special account products was RMB25.494 billion, representing a YoY decrease of 44.46%; the management scale of ABS products was RMB113 million, representing a YoY decrease of 47.22%. As of the end of Reporting Period, China Fund managed a total of 54 mutual funds (including 7 new products established in 2023), with a management scale of RMB68.152 billion. 30 of 47 mutual fund products participating in the ranking entered top 50% in the market, among which 19 entered top 20% in the market and 10 entered top 10% in the market. (Sources: Wind Info and statistics of the Company)

Outlook for 2024

In 2024, China Fund will continue to adhere to focusing on the interests of investors, strive to improve investment research capabilities and investment performance, expand and enrich product lines, further explore various sales channels, strengthen customer system construction, and bolster internal governance, to realize a stable growth in management scale and the value preservation and appreciation of customer's wealth, and become a professional and distinctive asset management institution.

(3) Private Equity Investment Business

In 2023, China's private equity market showed a steady development trend. The Central Economic Work Conference proposed for the first time to “encourage the development of entrepreneurial investment and equity investment”, and regarded them as an important capital force to “lead the construction of a modern industrial system through technological innovation”, effectively supporting the healthy development of the private equity market.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, China Capital actively made arrangements around the direction of building a modern industrial system and high-quality development industries, and constantly improved its investment research capabilities and investment performances. In 2023, China Capital completed the project investment of over RMB4.0 billion, and 6 of the invested projects were listed and 7 were approved in the meetings. There were 13 newly increased registered funds, with a newly increased registered scale of RMB11.6 billion.

As of the end of the Reporting Period, China Capital had 73 registered funds under management with a fund management scale of exceeding RMB65.0 billion. As of the end of 2023, China Capital ranked No. 5 among private equity subsidiaries of securities firms in terms of the average monthly paid-in amount (Source: AMAC).

Outlook for 2024

In 2024, China Capital will continuously adhere to the starting point and foothold of serving the real economy, bear in mind the original intention and mission of finance serving the real economy, and increase its participation in key areas such as technology innovation, “enterprises that use special and sophisticated technologies to produce novel and unique products”, and green and low-carbon, so as to promote the high-quality development of technology innovation, and demonstrate the mission and responsibility of state-owned investment organizations.

II. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Innovative and Leading Business System

The Company possesses a balanced and comprehensive investment banking business, and a wealth management business with wide selection of established products that continue to evolve in tandem with continuously advancing investment advisory capabilities. It also has a professional and integrated trading and service for financial institution clients, as well as a rapidly growing and highly potential in comprehensive asset management field. By using an integrated approach to the management of its subsidiaries, the Company is able to maximize resource efficiency, provide comprehensive client services, and drive business development on a larger scale. The innovative, leading, healthy and balanced business system ensures that the Company can quickly seize market opportunities and effectively withstand business fluctuations, which acts as a stabilizer for the Company’s sustainable development.

2. Well-structured client base

The Company has an industry-leading, well-structured and rational client base. Our client base is mainly composed of leading enterprises, high-quality companies, and a significant number of small and medium-sized enterprises that “use special and sophisticated technologies to produce novel and unique products” in various industries. In addition, the Company works closely with key financial and investment institutions around the area of expertise. The Company provides services to help government clients understand and act well in the capital market, as well as wealth management services for millions of individual clients. In the process of serving corporate, institutional, government, and individual clients, the Company practices the concept of “people’s finance”, enhancing client loyalty and solidifying its client base with comprehensive, professional, sincere, and continuously optimized financial services. The well-structured and constantly growing client base is the cornerstone of the Company’s healthy development.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

3. Comprehensive channel network

The Company's comprehensive channel network includes more than 300 physical branches nationwide spread across major cities and potential regions. It has a wholly owned subsidiary in Hong Kong, offering unique professional advantages in providing comprehensive financial solutions and global capital services. The Company has also independently developed an industry-leading intelligent online investment consulting platform, boasting more than 6,000 licensed professional advisors, ensuring a rapid response to online inquiries from clients. The Company is also cultivating a young and professional content team nationwide, aspiring to create a more layered, professional, and attractive content service that integrates online and offline services, ultimately serving as a new growth pole for the Company's channel network.

4. Continuously strengthened technology research and development

For many years, the Company has been advancing digital construction with the standard of "recording everything, analyzing everything, measuring everything, and improving everything", committed to achieving the identity of the same customer from different business segments around the Company as a whole, and applying the same management for the same business, as well as integrated operational management. It continuously strengthens the deep integration of emerging technologies such as artificial intelligence, big data, cloud computing, and blockchain with business scenarios. The Company is making orderly progress and gradually realizing the intelligentization of customer service, business processing, and operational processes. Continuously strengthened R&D capabilities are the technological foundation for empowering employees, fostering improved management, and enabling businesses to thrive.

5. Industry-leading risk control and compliance

The Company has established a scientifically sound, clearly defined rights and responsibilities, strategically forward-looking and comprehensive risk management system and compliance management system that spans the entire process from pre-event to during-event and post-event. The Company is one of the first six pilots to consolidate supervisory undertakings and one of the first companies on the regulatory whitelist in the domestic securities industry. The Company's risk control and compliance management systems are characterized by prudence and industry-leading practices. These safeguards ensure the Company's long-term healthy development.

6. Corporate culture of excellence

Adhering to the core value of "achievements leading to status", the Company has formed a development experience of "walking the right path, working diligently, seeking simplicity, avoiding fuss." It adheres to the business philosophy of "Enable Win-win Situations, Facilitate Mutual Benefits", building a corporate culture rooted in employees, growing together with customers, and developing in tandem with the market. The Company is committed to become a first-class investment bank in China that clients trust, employees respect, and shareholders are satisfied with. It attaches great importance to the training and development of its management and staff, with an excellent, stable and highly professional talent team, including an enterprising management team and a loyal and hardworking workforce.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

7. Strong shareholder background

The Company's main contributors, Beijing Financial Holdings Group Limited, Central Huijin Investment Ltd., and CITIC Group Corporation, are all large state-owned enterprises with strong capital, mature capital operation experience, rich resources, and high social visibility. They all play a crucial role in supporting national strategies and exploring financial reform.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry Landscape and Trends

In the past year, China's economy had embarked on a positive recovery curve under continuous pressure. Although the development faced a complex situation, unfavorable factors in the international political and economic environment increased, and domestic cyclical and structural contradictions were superimposed, the characteristics of China's economy, such as strong resilience, great potential and sufficient vitality, also coexisted, and the effects of various policies continued to appear. In 2023, the average daily trading volume of stock funds in Shanghai and Shenzhen A-share markets was RMB813.1 billion. As the quality and efficiency of capital market serving the real economy was continuously improved, a total of 611 equity financing projects were issued in the whole market, and the funds raised amounted to RMB771.935 billion. (Sources: Shanghai and Shenzhen Stock Exchanges, Wind Info, and statistics on issue date, excluding asset-oriented private placement).

2024 is a crucial year for consolidating and enhancing the positive trend of economic recovery, and continuously promoting the effective improvement in quality and reasonable growth in quantity in the economy. The world development pattern is undergoing profound changes, with global economic cycles shifting and geopolitical contradictions prominent, as well as further rising complexity, severity and uncertainty of the external environment. In the long term, China is now marching towards the Second Centenary Goal with an unwavering determination, and in light of the vast market space, the complete industrial system and the strong material foundation, it has been an important engine for stable world economic growth, with an unchanged basic long-term trend of economic growth.

Since the second half of 2023, a package of policies focusing on "invigorating the capital market and boosting investor confidence" had been successively introduced, reflecting the Party Central Committee's great attention and earnest expectation on the capital market. With the successive convening of, among others, the Central Financial Work Conference, the Central Economic Work Conference, and the special seminar on promoting high-quality financial development for major provincial and ministerial leading cadres, and guided by the goal of becoming "a financial powerhouse", the reform and construction tasks of the capital market have become increasingly clear. A series of tasks and measures, such as "better leveraging the pivotal function of the capital market", "developing diversified equity financing", "promoting the deepening and implementation of the stock issuance registration system", "promoting the high-quality development of the bond market", "vigorously improving the quality of listed companies", and "cultivating first-class investment banks and investment institutions", have gradually become clear.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

As compared with the past, the capital market will pay more focus on “functionality”. Specifically, firstly, to adhere to the positive interaction between high-quality development and high-level safety, put the “stable expectations” and “risk prevention” of the capital market in a more prominent position, and require financial institutions to further actively cooperate so as to mitigate various risks such as urban investment bonds and real estate enterprises as well as pay great attention to the correlation between their respective operations and other financial entities, so as to firmly hold the bottom line of avoiding systemic risks, and seize the initiative in development. Secondly, to adhere to the fundamental purpose of serving the real economy by providing high-quality financial services for economic and social development around the “five major articles”, and guiding and serving more social resources to promote technological innovation, advanced manufacturing, green development, and micro, small and medium-sized enterprises. Thirdly, to place more emphasis on promoting dynamic balance of investment and financing by making efforts on both investment and financing, continuously guiding medium and long-term funds into the market and encouraging institutional investors to lay out against the market, thereby strengthening “patient capital”, “long-term capital”, and “strategic capital”; to implement the concept of diversified equity financing and establish a financing model centered the entire lifecycle of the enterprise.

In such context, the Company believes that the securities industry will present the following characteristics: firstly, sub-sectors differentiate with a significant increase in the concentration of self-operated, asset management, investment banking and other industries in recent years, and a significant Matthew effect; the concentration of traditional brokerage and margin financing and securities lending businesses has decreased with fierce homogenization competition. Secondly, there are policies supporting large state-owned financial institutions to become better and stronger, and the industry mergers and acquisitions and reorganizations are expected to increase significantly. In the long run, measures such as supporting advantages and limiting disadvantages, and cultivating “first-class investment banks” are expected to promote the optimization or reshape of the industry landscape. Thirdly, the investment banking business is under pressure in the short term, and major securities firms are simultaneously shifting their focus to businesses on the BSE, resulting in comprehensive competition. In the medium to long term, the return of investment banking business to normalcy under the comprehensive registration system is the irresistible trend. Fourthly, the domestic wealth management and institutional customer service models have not yet been finalized, there is a large space for the transformation and development of various securities firms, the number of asset management subsidiaries has expanded to 29 and there is a significant first mover advantage in sub-sectors. Fifthly, the digital transformation in the industry is flourishing. Major securities firms and some third-party institutions have achieved results in digital transformation in the field of wealth management and in the aspects such as customized services for institutional clients and employee management, driving the leapfrog development of related businesses. Financial technology has become an undeniable competitive force.

To sum up, in 2024, the securities industry will face both challenges and opportunities, the whole industry will actively transform and fight harder under the goals of becoming “a financial powerhouse” and “cultivating first-class investment banks and investment institutions”, and the development of the industry will be promising.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Development Strategies of the Company

The Company strives to be a first-class investment bank in China that clients trust, employees respect, and shareholders are satisfied with. The Company kept its mission of “pooling talents, serving customers, creating value and contributing to society” firmly in mind, and attached great importance to its business philosophy of “putting people first, learning from competitors and learning from history”. The Company insisted on the correct and clear strategic direction, balanced the development speed and quality, put risk management in an important position, insisted on the employment ideality of quality before qualification, and regions without limit, so as to adhere to the path of healthy development. The Company expects to be committed to improving customer service capability, and better serving the national strategies and the real economy through establishing long-term effective strategies, so as to achieve its own high-quality development and that of the securities industry. In order to materialize the above visions, the Company will consolidate its leading strength in value-creating ability and attach great importance to promoting work on customer development and customer service to improve service quality; strengthen talent strategy to improve team quality; increase capital and fund strength to optimize and improve balance sheet performance; improve information technology capability to promote digital transformation of the Company; keep improving compliance risk control capability to ensure sound development of the Company; keep enhancing modern management and operation capabilities to improve efficiency and benefits.

(III) Business Plan

In 2024, the Company will comprehensively strengthen the Party building, and cultivate a first-class investment banking culture with Chinese characteristics; actively cultivate profit growth points, and increase the appraisal weight of profit; improve the construction of the customer service system, establish a classified and layered customer service system, and explore the construction of the matrix service; continuously strengthen the asset management business, and enhance the construction of investment research capability; steadily improve the level of international development, and continuously improve the quality and efficiency of cross-border integration work; strengthen the risk compliance management structure, and enhance the compliant and prudent business orientation; continuously promote its digital transformation, and establish the concept of “combining governance and usage for better use, and emphasizing on both quality and quantity while giving priority to quality”; strengthen the construction of talent management system, build a leadership team that is loyal, clean, responsible and capable, and continuously optimize the training and cultivating system for cadres and talents.

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Capital Requirement

In 2023, the Company's businesses continuously developed in a healthy and orderly manner. In order to meet the needs of business development and according to asset and liability management arrangements, during the Reporting Period, the Company publicly issued four tranches of subordinated bonds successfully with a total issuance amount of RMB15.0 billion; publicly issued five tranches of corporate bonds with a total issuance amount of RMB17.3 billion; non-publicly issued two tranches of corporate bonds with a total issuance amount of RMB4.5 billion; publicly issued two tranches of short-term corporate bonds with a total issuance amount of RMB10.5 billion; publicly issued 14 tranches of short-term commercial papers of securities companies with a total issuance amount of RMB36.5 billion (as of the end of the Reporting Period, the outstanding balance was RMB21.5 billion); issued offshore RMB bonds with a total issuance amount of RMB5.0 billion.

In 2024, the Company will manage the size and structure of liabilities in a scientific manner based on business development needs, maintain a reasonable and healthy gearing ratio, and properly manage liabilities and liquidity.

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

Currently, the Company obtains short-term funds from commercial banks and other investors primarily by using bond repurchases, inter-bank lending, margin refinancing, issuance of beneficiary certificates and other methods, through SSE, national inter-bank market, inter-institutional private equity products quotation and service system, and OTC market in accordance with the relevant policies and regulations of the competent authorities. As of the end of the Reporting Period, as approved by the People's Bank of China, the Company implemented a maximum inter-bank borrowing of RMB53.5 billion, with a sufficient credit line from approved large-scale state-owned joint-stock commercial banks, which effectively guaranteed the funds obtained by the Company through monetary market in a timely manner.

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

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

1. Potential Risks

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

2. Implementation of Comprehensive Risk Management of the Company

The Company has attached great importance to risk management. Over more than a decade of exploration and practices, and pursuant to the requirements of regulation rules and self-regulatory rules, including the Measures for the Risk Control Indexes Management of Securities Companies (《證券公司風險控制指標管理辦法》), Regulations for Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and various risk management guidelines, the Company has established a relatively complete and comprehensive risk management system. Since March 2020, the Company has been officially included in the pilots to consolidate supervisory undertakings by CSRC, and has continued to strengthen the vertical control and group integrated management of domestic and overseas subsidiaries. In 2023, the Company has further promoted the integrated management of risk control and compliance for all domestic and overseas subsidiaries, especially overseas subsidiaries, and refined the capital management system process, strengthening the risk management mechanism for the same business and the same customer. Please refer to “Risk Management” in this section for details of the Company’s comprehensive risk management.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

3. Establishment of Dynamic Monitoring System for Risk Control Indicators

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

The Company has established a net capital replenishment mechanism, clarified the division of responsibilities among relevant departments, and refined the initiation and decision-making procedures for capital replenishment. Approaches of the Company to replenish net capital include, among others, equity financing, and issuance of subordinated debt and convertible bonds in accordance with the authorization. The Company has established a forward-looking adjustment mechanism for risk control indicators to ensure that the risk control indicators are continuously maintained at a robust and compliant level through, among others, replenishing net capital, adjusting the structure of assets and liabilities, as well as reducing the scale of business when abnormal changes or early warning are shown in the risk control indicators.

In 2023, the Company's net capital and other risk control indicators continued to meet the regulatory standards, and the major risk control indicators were at a healthy level and no warning standards were triggered.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

4. Investments in Corporate Compliance Risk Control and Information Technology

The Company attaches great importance to compliance management and risk management, continuously optimizes and improves the construction of compliance management and risk management systems, continuously expands the team of compliance risk control personnel and optimizes its structure, so as to enhance its professional literacy; the Company promotes the construction of compliance risk control system through a combination of self-development and outsourced procurement, and continuously increases the investment so as to promote the improvement of the timeliness, professionalism and intelligence of compliance risk control. The Company's investment in compliance risk control mainly includes: investment in compliance risk control personnel, investment in the construction of relevant compliance risk control system and operating expenses of the relevant compliance risk control departments. In 2023, in terms of the parent company, the Company's total investment in compliance risk control amounted to RMB668.5081 million.

The Company has continued to increase investment in information technology. The Company has continued to invest in areas such as construction and transformation of the environmental infrastructures, continuous improvement and innovative development of system functions on the one hand, and accelerated the promotion of digital transformation on the other hand. The Company has continued to put more efforts in the introduction of information technology talents, focused on cultivating more talents for both self-development and new technologies, and gradually formed the Company's core information technology competitiveness. The Company's investment in information technology mainly includes: capital expenditure related to information technology, daily operation and maintenance expenses, leasing and depreciation expenses, and remunerations for information technology personnel. In 2023, in terms of the parent company, the Company's total investment in information technology amounted to RMB1,460.3887 million.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

IV. FINANCIAL STATEMENT ANALYSIS

Profitability Analysis

In 2023, the Group realized total revenue and other income of RMB33,979 million, representing a YoY decrease of 6.83%; net profit attributable to equity holders of the Company amounted to RMB7,034 million, representing a YoY decrease of 6.45%; basic earnings per Share amounted to RMB0.78, representing a YoY decrease of 9.30%; return on weighted average equity was 8.61%, representing a YoY decrease of 1.44 percentage points.

Asset Structure and Asset Quality

During the Reporting Period, the Company recorded growth in both total assets and total liabilities to different extents. The Company maintained more prudent operation, stable structure of assets and liabilities, and sound asset quality and financial position.

As of December 31, 2023, the Group's total assets amounted to RMB522,752 million, representing an increase of RMB13,546 million, or 2.66%, as compared with that as at the end of previous year; after deducting accounts payable to brokerage clients, the Group's total assets amounted to RMB421,828 million, representing an increase of RMB21,916 million, or 5.48%, as compared with that as at the end of previous year. Among which, investment assets, mainly including investments in associates and investments in financial assets, accounted for 69.77% of the total assets; margin accounts and financial assets held under resale agreements accounted for 16.67% of the total assets; cash and bank balances accounted for 8.68% of the total assets; and other assets in aggregate accounted for 4.88% of the total assets.

Please refer to "Financial assets at fair value through profit or loss" in Note 22, "Financial assets at fair value through other comprehensive income" in Note 23 and "Cash and bank balances" in Note 32 to the Consolidated Financial Statements of this annual report for the restriction of main assets as of the end of the Reporting Period.

As of December 31, 2023, the Group's total liabilities amounted to RMB425,226 million, representing an increase of RMB9,316 million, or 2.24%, as compared with that as at the end of previous year; after deducting accounts payable to brokerage clients, the Group's total liabilities amounted to RMB324,302 million, representing an increase of RMB17,686 million, or 5.77%, as compared with that as at the end of previous year. Among which, financial assets sold under repurchase agreements accounted for 39.92% of the total liabilities; short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year accounted for 19.19% of the total liabilities; bonds in issue accounted for 24.87% of the total liabilities; financial liabilities at fair value through profit or loss and derivative financial liabilities accounted for 4.47% of the total liabilities; and other liabilities in aggregate accounted for 11.55% of the total liabilities.

As of December 31, 2023, the Group's equity attributable to equity holders of the Company amounted to RMB97,478 million, representing an increase of RMB4,227 million, or 4.53%, as compared with that as at the end of previous year.

As of December 31, 2023, after deducting accounts payable to brokerage clients, the gearing ratio of the Group was 76.88%, representing an increase of 0.21 percentage point, as compared with that as at the end of previous year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow Status

After deducting the impact of changes in accounts payable to brokerage clients, the Group's net decrease in cash and cash equivalents was RMB1,942 million in 2023, as compared to a net increase of RMB3,172 million for the corresponding period of 2022, which was mainly attributable to the YoY increase in net cash outflow from operating activities.

Net cash outflow from operating activities in 2023 was RMB10,127 million, as compared to a net inflow of RMB24,279 million for the corresponding period of 2022, which was mainly attributable to the YoY increase in net cash outflow from operating activities arising from changes in financial assets sold under repurchase agreements, margin accounts, financial liabilities at fair value through profit or loss and placements from banks and other financial institutions.

Net cash outflow from investing activities in 2023 was RMB2,654 million, representing a YoY decrease of net outflow of RMB18,588 million as compared to a net outflow of RMB21,242 million for the corresponding period of 2022, which was mainly attributable to the YoY decrease in cash outflow arising from the decrease in purchase of financial assets at fair value through other comprehensive income.

Net cash inflow from financing activities in 2023 was RMB10,840 million, representing a YoY increase of net inflow of RMB10,705 million as compared to a net inflow of RMB135 million for the corresponding period of 2022, which was mainly attributable to the YoY decrease in cash paid for debt repayment.

V. ANALYSIS ON INCOME STATEMENT

Financial Highlights

In 2023, the Group accomplished a profit before income tax of RMB8,372 million, representing a YoY decrease of 11.61%. Major financial highlights of the Group are as below:

Unit: RMB million

Items	2023	2022
Fee and commission income	14,403	15,543
Interest income	10,118	9,533
Investment gains	6,842	4,532
Other income	2,616	6,863
Total expenses	25,615	27,012
Share of profits and losses of associates	7	14
Profit before income tax	8,372	9,472
Income tax expense	1,324	1,943
Profit attributable to equity holders of the Company	7,034	7,519

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Structure of Total Revenue and Other Income

In 2023, the total operating revenue and other income of the Group amounted to RMB33,979 million, representing a YoY decrease of 6.83%. The structure of revenue remained relatively stable. The revenue structure of the Group in the past five years is as follows:

Items	2023	2022	2021	2020	2019
Fee and commission income	42.39%	42.62%	39.35%	44.35%	44.48%
Interest income	29.78%	26.14%	23.02%	23.12%	32.17%
Investment gains	20.14%	12.43%	20.56%	28.23%	22.71%
Other income	7.69%	18.81%	17.07%	4.30%	0.64%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Fee and Commission Income

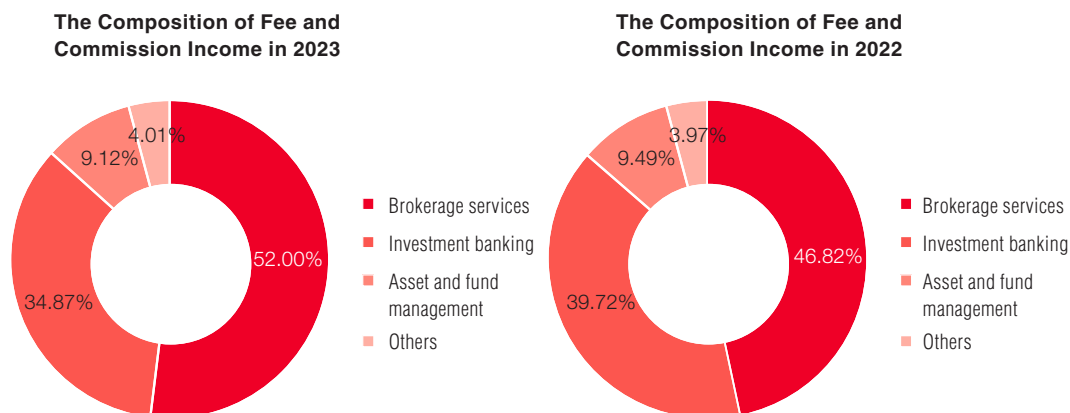
In 2023, the net fee and commission income of the Group amounted to RMB12,070 million, representing a YoY decrease of 12.34%, which was mainly due to the decrease in fee and commission income from investment banking. The composition of fee and commission income of the Group during 2022 and 2023 is as follows:

Unit: RMB million

Items	2023	2022	Change	Change in percentage (%)
Fee and commission income				
– Brokerage services	7,489	7,278	211	2.90
– Investment banking	5,022	6,174	-1,152	-18.66
– Asset and fund management	1,314	1,475	-161	-10.92
– Others	578	616	-38	-6.17
Fee and commission expenses	2,333	1,773	560	31.58
Net fee and commission income	12,070	13,770	-1,700	-12.34

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Composition of Fee and Commission Income during 2022 and 2023



The fee and commission income from brokerage services increased by RMB211 million, or 2.90% YoY, which was mainly due to the YoY increase in the fee income of futures brokerage services.

The fee and commission income from investment banking decreased by RMB1,152 million, or 18.66% YoY, which was mainly due to the YoY decrease in the income of stock underwriting business.

The fee and commission income from asset and fund management decreased by RMB161 million, or 10.92% YoY, which was mainly due to the YoY decrease in the fee income of targeted asset management business.

Other fee and commission income decreased by RMB38 million, or 6.17% YoY, which was mainly due to the YoY decrease in the income of investment consultation business during the year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Interest Income

In 2023, the net interest income of the Group amounted to RMB1,712 million, representing a YoY decrease of RMB678 million, or 28.37%. The table below sets out the major composition of the net interest income of the Group during the indicated periods:

Unit: RMB million

Items	2023	2022	Change	Change in percentage (%)
Interest Income				
– Margin financing and securities lending	3,769	3,823	-54	-1.41
– Financial assets held under resale agreements	534	569	-35	-6.15
– Bank deposits	3,287	3,072	215	7.00
– Financial assets at fair value through other comprehensive income (“FVOCI”)	2,411	1,875	536	28.59
– Others	117	194	-77	-39.69
Interest expenses				
– Accounts payable to brokerage clients	746	574	172	29.97
– Financial assets sold under repurchase agreements	2,811	1,984	827	41.68
– Placements from banks and other financial institutions	608	673	-65	-9.66
– Borrowings	28	22	6	27.27
– Bonds in issue and short-term financing instruments payable	3,918	3,648	270	7.40
– Others	295	242	53	21.90
Net interest income	1,712	2,390	-678	-28.37

Interest income from bank deposit increased by RMB215 million, or 7.00% YoY, which was mainly due to the increase in the corresponding interest income arising from the increase in average scale of bank deposits during the year.

Interest income from financial assets at fair value through other comprehensive income increased by RMB536 million, or 28.59% YoY, which was mainly due to the increase in interest income arising from the increase in average scale of financial assets at fair value through other comprehensive income during the year.

Interest expenses increased by RMB1,263 million, or 17.68% YoY, which was mainly due to the YoY increase in the interest expense of financial assets sold under repurchase agreements, bonds in issue and short-term financing instruments payable.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Investment Gains

In 2023, the investment gains of the Group amounted to RMB6,842 million, representing a YoY increase of 50.97%. The table below sets out the major composition of the investment gains of the Group during the indicated periods:

Unit: RMB million

Items	2023	2022	Change	Change in percentage (%)
Financial instruments at fair value through other comprehensive income ("FVOCI")	372	204	168	82.35
Financial instruments at fair value through profit or loss ("FVPL")	4,183	-509	4,692	N/A
Derivative financial instruments	2,272	4,717	-2,445	-51.83
Others	15	120	-105	-87.50
Total	6,842	4,532	2,310	50.97

Investment income from financial instruments at fair value through other comprehensive income increased by RMB168 million, or 82.35% YoY. Among them, the investment gains from disposal of financial instruments at fair value through other comprehensive income increased by RMB170 million, or 86.24% YoY.

Investment income from financial instruments at fair value through profit or loss increased by RMB4,692 million YoY. Among them, gains from holding financial instruments at fair value through profit or loss increased by RMB4,151 million, or 330.83% YoY; gains from disposal of financial instruments at fair value through profit or loss increased by RMB541 million YoY.

Investment gains from derivative financial instruments decreased by RMB2,445 million YoY, which was mainly due to the decrease in gains from disposal of equity derivative financial instruments.

Other investment gains decreased by RMB105 million YoY, which was mainly due to the decrease in net gains attributable to other interest holders of consolidated structured entities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Total Expenses

In 2023, the expenses of the Group (excluding fee and commission expenses and interest expenses) amounted to RMB14,876 million, representing a YoY decrease of RMB3,220 million, or 17.79%.

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

Unit: RMB million

Items	2023	2022	Change	Change in percentage (%)
Staff costs	7,973	7,892	81	1.03
Tax and surcharges	130	156	-26	-16.67
Other operating expenses and costs	6,895	9,737	-2,842	-29.19
Credit impairment (reversals)/losses	-130	285	-415	-145.61
Impairment losses on other assets	8	26	-18	-69.23
Total	14,876	18,096	-3,220	-17.79

Other operating expenses and costs for the year decreased by RMB2,842 million, or 29.19% YoY, which was mainly due to the YoY decrease in the cost of sales of bulk commodity.

The reversal of credit impairment losses for the year amounted to RMB130 million, as compared to a provision of RMB285 million for the corresponding period of 2022, which was mainly due to the reversal of credit impairment on financial assets at fair value through other comprehensive income.

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

Unit: RMB million

Items	2023	2022	Change	Change in percentage (%)
Financial assets at fair value through other comprehensive income ("FVOCI")	-245	320	-565	-176.56
Margin accounts	84	86	-2	-2.33
Financial assets held under resale agreements	-	-112	112	N/A
Others	31	-9	40	N/A
Total	-130	285	-415	-145.61

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

VI. ANALYSIS ON FINANCIAL POSITION

Assets

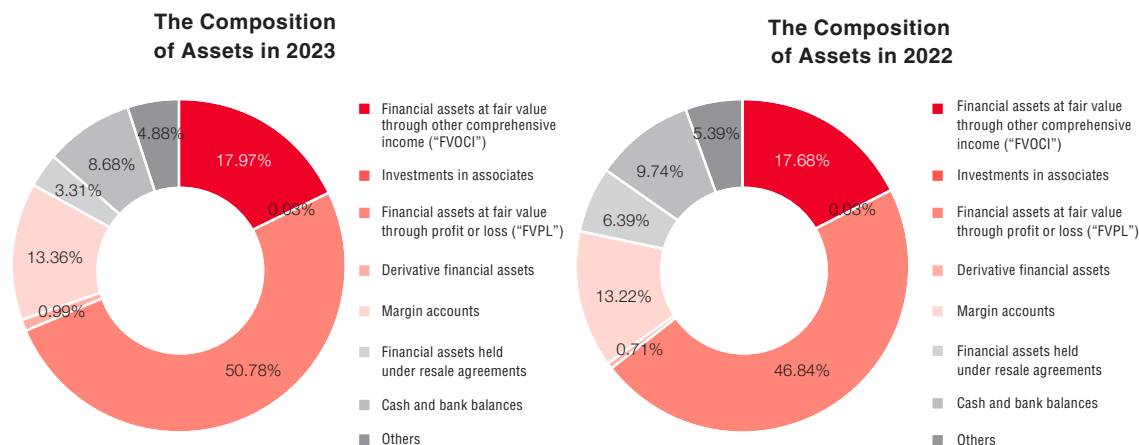
As of December 31, 2023, the total assets of the Group amounted to RMB522,752 million, representing an increase of RMB13,546 million, or 2.66%, as compared with that as at the end of previous year. Excluding the impact of accounts payable to brokerage clients, the total assets of the Group amounted to RMB421,828 million as at December 31, 2023, representing an increase of RMB21,916 million, or 5.48%, as compared with that as at the end of previous year. The changes in major assets of the Group are as follows:

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Change	Change in percentage (%)
Financial assets at fair value through other comprehensive income ("FVOCI")	75,803	70,720	5,083	7.19
Investments in associates	115	108	7	6.48
Financial assets at fair value through profit or loss ("FVPL")	214,192	187,311	26,881	14.35
Derivative financial assets	4,185	2,863	1,322	46.18
Margin accounts	56,393	52,871	3,522	6.66
Financial assets held under resale agreements	13,942	25,551	-11,609	-45.43
Cash and bank balances	36,621	38,945	-2,324	-5.97
Others	20,577	21,543	-966	-4.48
Total	421,828	399,912	21,916	5.48

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Composition of Assets during 2022 and 2023



Investments

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

As of December 31, 2023, the total external investments of the Group amounted to RMB294,295 million, representing an increase of RMB33,293 million, or 12.76%, as compared with that as at the end of previous year.

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

Unit: RMB million

Items	December 31, 2023		December 31, 2022	
	Amount	Percentage to total assets (%)	Amount	Percentage to total assets (%)
Financial assets at fair value through profit or loss ("FVPL")	214,192	50.78	187,311	46.84
Financial assets at fair value through other comprehensive income ("FVOCI")	75,803	17.97	70,720	17.68
Derivative financial assets	4,185	0.99	2,863	0.71
Investments in associates	115	0.03	108	0.03
Total	294,295	69.77	261,002	65.26

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Financial Asset Investments

As of December 31, 2023, total financial asset investments of the Group amounted to RMB294,180 million, accounting for 69.74% of total assets, and representing an increase of RMB33,286 million, or 12.76%, as compared with that as at the end of previous year, which was mainly due to the increase in investments in debt instruments. The composition of the financial asset investments portfolio of the Group is as follows:

Unit: RMB million

Items	December 31, 2023		December 31, 2022	
	Amount	Percentage to total financial asset investments (%)	Amount	Percentage to total financial asset investments (%)
Debt instruments	184,655	62.77	161,896	62.05
Equity investments	41,085	13.97	34,350	13.17
Fund investments	15,583	5.30	24,538	9.41
Derivative financial assets	4,185	1.42	2,863	1.10
Others	48,672	16.54	37,247	14.27
Total	<u>294,180</u>	<u>100.00</u>	<u>260,894</u>	<u>100.00</u>

Investments in Associates

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Change	Change in percentage (%)
Investments in associates	<u>115</u>	<u>108</u>	<u>7</u>	<u>6.48</u>

As of December 31, 2023, the Group's investments in associates amounted to RMB115 million, representing an increase of RMB7 million, or 6.48%, as compared with that as at the end of previous year, which was mainly due to the profits of associates during the Reporting Period.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Bank Balances

As of December 31, 2023, cash and bank balances amounted to RMB36,621 million, representing a decrease of RMB2,324 million or 5.97%, as compared with that as at the end of previous year, which was mainly due to the greater of net cash outflow from operating activities and investing activities than net cash inflow from financing activities.

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Change	Change in percentage (%)
Cash and bank balances	36,621	38,945	-2,324	-5.97

Liabilities

As of December 31, 2023, total liabilities of the Group amounted to RMB425,226 million, representing an increase of RMB9,316 million, or 2.24%, as compared with that as at the end of previous year. Excluding the impact of accounts payable to brokerage clients, total liabilities of the Group amounted to RMB324,302 million as at December 31, 2023, representing an increase of RMB17,686 million, or 5.77%, as compared with that as at the end of previous year. The following table sets out the composition of the total liabilities of the Group as of the dates indicated:

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Change	Change in percentage (%)
Accounts payable to brokerage clients	100,924	109,294	-8,370	-7.66
Short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year	62,230	69,081	-6,851	-9.92
Financial liabilities at fair value through profit or loss	10,144	12,307	-2,163	-17.58
Derivative financial liabilities	4,361	3,259	1,102	33.81
Financial assets sold under repurchase agreements	129,462	122,154	7,308	5.98
Bonds in issue	80,644	62,210	18,434	29.63
Others	37,461	37,605	-144	-0.38
Total	425,226	415,910	9,316	2.24

As of December 31, 2023, total accounts payable to brokerage clients of the Group amounted to RMB100,924 million, accounting for 23.73% of the total liabilities of the Group, and representing a decrease of RMB8,370 million, or 7.66%, as compared with that as at the end of previous year.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB million

Items	December 31, 2023	December 31, 2022	Change	Change in percentage (%)
Mainland China	99,603	108,128	-8,525	-7.88
– Individual	51,303	51,490	-187	-0.36
– Corporate	48,300	56,638	-8,338	-14.72
Outside Mainland China	1,321	1,166	155	13.29
Total	100,924	109,294	-8,370	-7.66

As of December 31, 2023, short-term borrowings, placements from banks and other financial institutions, short-term financing instruments payable and non-current liabilities falling due within one year amounted to RMB62,230 million in aggregate, representing a decrease of RMB6,851 million, or 9.92%, as compared with that as at the end of previous year, which was mainly due to the decrease in bonds payables due within one year, placements from banks and other financial institutions and short-term borrowings.

As of December 31, 2023, financial assets sold under repurchase agreements amounted to RMB129,462 million, representing an increase of RMB7,308 million, or 5.98%, as compared with that as at the end of previous year, which was mainly due to the YoY increase in the ending balance of financial assets sold under repurchase agreements through collateralized treasury bonds.

As of December 31, 2023, the Group's total outstanding amount of bonds payable due beyond one year amounted to RMB80,644 million, representing an increase of RMB18,434 million, or 29.63%, as compared with that as at the end of previous year, which was mainly due to the YoY increase in the ending balance of issued corporate bonds.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Equity

As of December 31, 2023, the total equity of the Group amounted to RMB97,526 million, representing an increase of RMB4,230 million, or 4.53%, as compared with that as at the end of previous year, which was mainly attributable to the profits for the year. The following table sets out the composition of the Group's total equity as of the dates indicated:

Unit: RMB million

Items	December 31, 2023	December 31, 2022
Share capital	7,757	7,757
Other equity instruments	24,907	24,907
Capital reserve	12,417	12,417
Surplus reserves	7,064	6,386
General reserve	15,273	13,954
Investment revaluation reserve	517	308
Foreign currency translation reserve	394	333
Retained earnings	29,149	27,190
Non-controlling interests	48	44
Total	97,526	93,296

VII. ANALYSIS OF PRINCIPAL SUBSIDIARIES

Name	Shareholding of the Company	Date of establishment	Registered capital	Office address	Registered address	Contact number
China Futures	100%	March 16, 1993	RMB1,400 million	Room 2603, 27/F and 30/F, Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區 中山三路 131 號希爾頓商務 中心 2603 室、27 樓、30 樓)	27/F and 30/F, Hilton Business Center, No. 131, Zhongshan 3rd Road, Yuzhong District, Chongqing (重慶市渝中區 中山三路 131 號希爾頓商務 中心 27 樓、30 樓)	023-86769605
China Capital	100%	July 31, 2009	RMB3,500 million	12/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恆 中心大廈 B 座 12 層)	Room 2, East Side, 6/F, 188 Chaoyangmen Inner Street, Dongcheng District, Beijing (北京市東城區朝陽門內 大街 188 號 6 層東側 2 間)	010-85130648
China Securities International	100%	July 12, 2012	Paid up capital of HK\$4,000 million	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong	+852-34655600

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Name	Shareholding of the Company	Date of establishment	Registered capital	Office address	Registered address	Contact number
China Fund	100%	September 9, 2013	RMB450 million	17/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恆中心大廈 B 座 17 層)	Unit 1, Building No. 3, Balongqiao Yayuan, Qiaozi Town, Huairou District, Beijing (北京市懷柔區橋梓鎮八龍橋雅苑 3 號樓 1 室)	010-59100288
China Securities Investment	100%	November 27, 2017	RMB6,100 million	9/F, Block B, Kaiheng Center Building, Dongcheng District, Beijing (北京市東城區凱恆中心大廈 B 座 9 層)	Unit 109, Block C, Beijing Fund Town Center, No. 1 Jinyuan Avenue, Changgou Town, Fangshan District, Beijing (北京市房山區長溝鎮金元大街 1 號北京基金小鎮大廈 C 座 109)	010-85130622

1. China Futures

As of December 31, 2023, total assets and net assets of China Futures amounted to RMB38,227 million and RMB3,819 million, respectively; in 2023, China Futures realized a total revenue and other income of RMB4,799 million and a net profit of RMB639 million.

Principal businesses of China Futures: commodities futures brokerage, financial futures brokerage, futures investment consultation, asset management and fund sales.

2. China Capital

As of December 31, 2023, total assets and net assets of China Capital amounted to RMB4,364 million and RMB2,740 million, respectively; in 2023, China Capital realized a total revenue and other income of RMB347 million and a net profit of RMB101 million.

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

3. China Securities International

As of December 31, 2023, total assets and net assets of China Securities International amounted to RMB23,748 million and RMB3,716 million, respectively; in 2023, China Securities International realized a total revenue and other income of RMB1,118 million and a net profit of RMB188 million.

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

4. China Fund

As of December 31, 2023, total assets and net assets of China Fund amounted to RMB939 million and RMB812 million, respectively; in 2023, China Fund realized a total revenue and other income of RMB333 million and a net profit of RMB30 million.

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

5. China Securities Investment

As of December 31, 2023, total assets and net assets of China Securities Investment amounted to RMB6,656 million and RMB6,306 million, respectively; in 2023, China Securities Investment realized a total revenue and other income of RMB166 million and a net profit of RMB102 million.

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

VIII. INTRODUCTION OF SECURITIES BRANCHES

No.	Name of branches	Date of establishment	Registered address	Contact number
1	Hubei Branch	February 6, 2012	3/F, Block A, Longyuan Building, 24 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province	027-87890128
2	Shanghai Branch	February 6, 2012	No. 01, 02, 06 and 07, 18/F, Block T2, No. 398 Huoshan Road, Yangpu District, Shanghai	021-55138037
3	Shenyang Branch	February 7, 2012	No. 1, 12/F, 61 Beizhan Road, Shenhe District, Shenyang City, Liaoning Province	024-22556761
4	Jiangsu Branch	February 13, 2012	1/F and 2/F, Huanghe Building, 58 Longyuan West Road, Gulou District, Nanjing City	025-83156571
5	Hunan Branch	March 1, 2013	No. 9, Furong Middle Road Section 2, Furong District, Changsha City, Hunan Province	0731-82229568
6	Fujian Branch	April 16, 2013	3/F, Wuyi Center, 33 East Street, Gulou District, Fuzhou City, Fujian Province	0591-87612358
7	Zhejiang Branch	April 18, 2013	Room 604, 6/F, 225 Qingchun Road, Shangcheng District, Hangzhou City, Zhejiang Province	0571-87067252
8	Northwest Branch	April 19, 2013	56 Nanda Street, Beilin District, Xi'an City, Shaanxi Province	029-87265999-202
9	Guangdong Branch	April 24, 2013	Rooms 6804 and 6805, No. 233 Tianhe North Road, Tianhe District, Guangzhou City (Office only)	020-38381917
10	Chongqing Branch	April 14, 2014	2-2, Block 2, Yijing Fenghao, 195 Longshan Road, Longshan Avenue, Yubei District, Chongqing City	023-63624398
11	Shenzhen Branch	April 21, 2014	35E, Radio and Television Financial Center, Pengcheng 1st Road, Futian District, Shenzhen City	0755-23953860
12	Sichuan Branch	April 25, 2014	No. 25, South Third Section, First Ring Road, Wuhou District, Chengdu City, Sichuan Province	028-85576963
13	Shandong Branch	May 23, 2014	11/F, Block 4, 8 Long'ao North Road, Lixia District, Jinan City, Shandong Province	0531-68655601
14	Jiangxi Branch	May 28, 2014	Unit 05, 30/F, Block 2#, Heping International Hotel, 69 Yanjiang North Avenue, Donghu District, Nanchang City, Jiangxi Province	0791-86700335
15	Henan Branch	June 3, 2014	2/F, Zhonghua Mansion, 3 Shangwu Outer Ring Road, Zhengzhou District (Zhengdong), Henan Pilot Free Trade Zone	0371-69092409
16	Shanghai Free Trade Zone Branch	September 26, 2014	Room 2206, North Building, 528 South Pudong Road, China (Shanghai) Pilot Free Trade Zone	021-68801573
17	Tianjin Branch	November 10, 2014	No. 389, Jiefang South Road, Hexi District, Tianjin	022-23660571
18	Beijing Hongyi Branch	March 19, 2019	11006, 9/F, Building 1, No. 2 Nanzhugan Hutong, Dongcheng District, Beijing	010-65726085
19	Hainan Branch	December 29, 2020	1/F and 2/F, Yindu Building, No. 38 Haifu Avenue, Haikou City	0898-65357208
20	Ningxia Branch	December 30, 2020	Room 101 (Duplex), No. 25 Commercial Building, Zhongyingyujing Phase II, No. 515 Fenghuang North Street, Xingqing District, Yinchuan City, Ningxia (Self-declared)	0951-6737057
21	Guizhou Branch	December 31, 2020	No. 2, 1-8/F, No. 13 Yan'an Middle Road, Yunyan District, Guiyang City, Guizhou Province	0851-83879300

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

No.	Name of branches	Date of establishment	Registered address	Contact number
22	Jilin Branch	January 5, 2021	19/F, Zhengrong Building, No. 621 Changchun Street, Nangan District, Changchun City, Jilin Province	0431-81939356
23	Shanxi Branch	January 7, 2021	7/F, Crown Tower, 252 Xinjian Road, Xinghualing District, Taiyuan City	0351-4073321
24	Heilongjiang Branch	January 8, 2021	No. 99, Zhongyi Street, Daoli District, Harbin City, Heilongjiang Province (Baishun Fenghua Apartment)	0451-87536666
25	Xinjiang Branch	January 12, 2021	No. 446 Nanhu North Road, Shuimogou District, Urumqi City, Xinjiang	0991-4165678
26	Gansu Branch	January 12, 2021	Room 001, 2/F, Block B, Yongli Building, No. 58 Gaolan Road, Chengguan District, Lanzhou City, Gansu Province	0931-8826000
27	Inner Mongolia Branch	January 12, 2021	Room 101, Building 105, Yuan Yi Xin Jia Yuan, Wulanchabu East Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region	0471-6248166
28	Guangxi Branch	January 14, 2021	No. 07, Building 1, No. 1 Lingshijun, No. 10 Zhongwen Road, Qingxiu District, Nanning City, Guangxi	0771-5772676
29	Beijing Dongcheng Branch	January 15, 2021	No. 6 Dongzhimen South Street, Dongcheng District, Beijing	010-64156666
30	Anhui Branch	January 15, 2021	113 and 114 for commercial use, Buildings 1 and 2, Fenge Century Apartment, No. 499 Changjiang West Road, Shushan District, Hefei City, Anhui Province	0551-65501717
31	Qinghai Branch	January 18, 2021	No. 26-2, Building 1, No. 126 Xiguan Street, Chengxi District, Xining City, Qinghai Province	0971-8276771
32	Beijing Chaoyang Branch	January 20, 2021	Unit 4, No. 66 Anli Road, Chaoyang District, Beijing	010-56326080
33	Beijing Haidian Branch	January 20, 2021	No. 108 in 1/F, and the Entire Second Floor, No. 18 Danling Street, Haidian District, Beijing	010-82666923
34	Beijing Jingnan Branch	January 26, 2021	Meiyuan Market South Section, No. 15 Nanda Hongmen Road, Fengtai District, Beijing	010-68759957
35	Beijing Jingxi Branch	January 29, 2021	No. 39, Sanlihe Road, Haidian District, Beijing	010-58739666
36	Yunnan Branch	February 2, 2021	2/F, Hydropower Technology Building, No. 115 Renmin East Road, Panlong District, Kunming City, Yunnan Province	0871-63117584
37	Hebei Branch	February 9, 2021	Room 601 and Shops 101 and 102, Office Building 1, Wufang Building, 88 West Street, Chang'an District, Shijiazhuang City	0311-86682430
38	Ningbo Branch	October 9, 2021	Room (3-1), No. 562 Zhenming Road, Haishu District, Ningbo City, Zhejiang Province	0574-87705128
39	Xiamen Branch	June 8, 2022	Units 01, 02 and 03, 8/F, Xiamen Century Center, No. 50 Minzu Road, Siming District, Xiamen City	0592-2075995
40	Suzhou Branch	June 13, 2022	Rooms 101 & 501, Xinghai International Business Plaza, No. 200 Xinghai Street, Suzhou Industrial Park	0512-67152188

Note: As for the dates of establishment of the above branches which fall after January 1, 2020, the date of obtaining the "License to Operate Securities and Futures Business" shall prevail.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

IX. EXPLANATION IN SCOPE OF STATEMENT CONSOLIDATION

As of December 31, 2023, the Company had a total of 11 structured entities included in the first-level consolidation scope of the financial statements. There were 16 first-level entities included in the consolidation scope of the financial statements of the Company.

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

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

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

China Securities International shall compute and pay taxes and fees at the tax rate applicable to the region where it is a tax resident.

XI. PROFIT DISTRIBUTION POLICY OF THE COMPANY

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

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

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

On June 29, 2023, 2022 profit distribution plan of the Company was considered and approved at the 2022 annual general meeting, i.e., cash dividends of RMB2.70 (tax inclusive) distributed for every 10 Shares. This plan was fully implemented by August 22, 2023. This profit distribution involved cash dividends representing 31% of net profit (excluding interest on perpetual subordinated bonds) attributable to equity holders of the Company in the consolidated statements for 2022, which complied with the provisions of the Guidelines No.1 for the Self-Regulatory Supervision of Listed Companies on the Shanghai Stock Exchange – Standardized Operation and the Articles of Association. Independent non-executive Directors of the Company issued independent opinions on 2022 profit distribution and were of the view that this profit distribution complied with the relevant provisions of internal systems including relevant laws, regulations, regulatory documents and the Articles of Association, was in line with the actual conditions of the Company and the long-term interests of Shareholders as a whole, and was favorable for the long-term development of the Company, therefore they agreed to this profit distribution plan.

(II) 2023 Profit Distribution Budget

Based on an overall consideration of the long-term development of the Company and the interests of Shareholders, 2023 profit distribution budget is as follows:

The Company proposes to distribute in the form of cash dividends, on the basis of 7,756,694,797 Shares in the total share capital as at December 31, 2023, RMB2.50 (tax inclusive) for every 10 Shares to all the Shareholders, amounting to RMB1,939,173,699.25 (tax inclusive) in aggregate, representing 32.05% of net profit (excluding interest on perpetual subordinated bonds) attributable to equity holders of the Company in the consolidated statements for 2023. The remaining undistributed profit will be carried forward to the subsequent year.

Cash dividend is denominated and declared in RMB and payable in RMB to the A Shareholders and in Hong Kong dollars to the H Shareholders. The actual amount declared in Hong Kong dollars will be calculated based on the average of the intermediate exchange rate for conversion of Hong Kong dollars to RMB as announced by the People's Bank of China one calendar week prior to the date of convening the 2023 annual general meeting of the Company.

After the budget is considered and approved at the Shareholders' general meeting, the Company will distribute cash dividends within two months after the date of convening the Shareholders' general meeting. The dividend is expected to be paid by the Company around Thursday, August 22, 2024. The Company will make further announcement on equity registration date, specific date of distribution and other matters in relation to this dividend distribution.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

XII. RISK MANAGEMENT

(I) Overview

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

(II) Structure of Risk Management

The Board of Directors is the Company’s ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or management. The Company has three dedicated risk control departments, namely the Risk Management Department, the Legal and Compliance Department and the Audit Department, which independently exercise risk control and supervision functions from pre-event to during-event and post-event, according to their respective roles and responsibilities.

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

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Company in general and making them under a reasonable control so as to ensure that the Company can carry out effective risk management for various risks related to its operating activities. The Risk Management Committee under the Board of Directors considers and advises the overall objectives and basic policies of compliance management and risk management; confirms the specific constitution of risk management strategies and risk management resources so that they are compatible with the risk management policies of the Company; formulates tolerance level for major risks; and supervises and reviews the relevant risk management policies and makes recommendations to the Board.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Supervisory Committee bears the supervision responsibility of overall risk management, is responsible for supervising and inspecting the performance of duties of the Board of Directors and Executive Committee of the Company in risk management, and urges rectification.

The Executive Committee makes general decisions with respect to, among others, the prevention, control, mitigation, or acceptance of risks in its business management and makes decisions on, among others, improving the Company's internal control rules and procedures and control measures in accordance with the risk management policies determined by the Board.

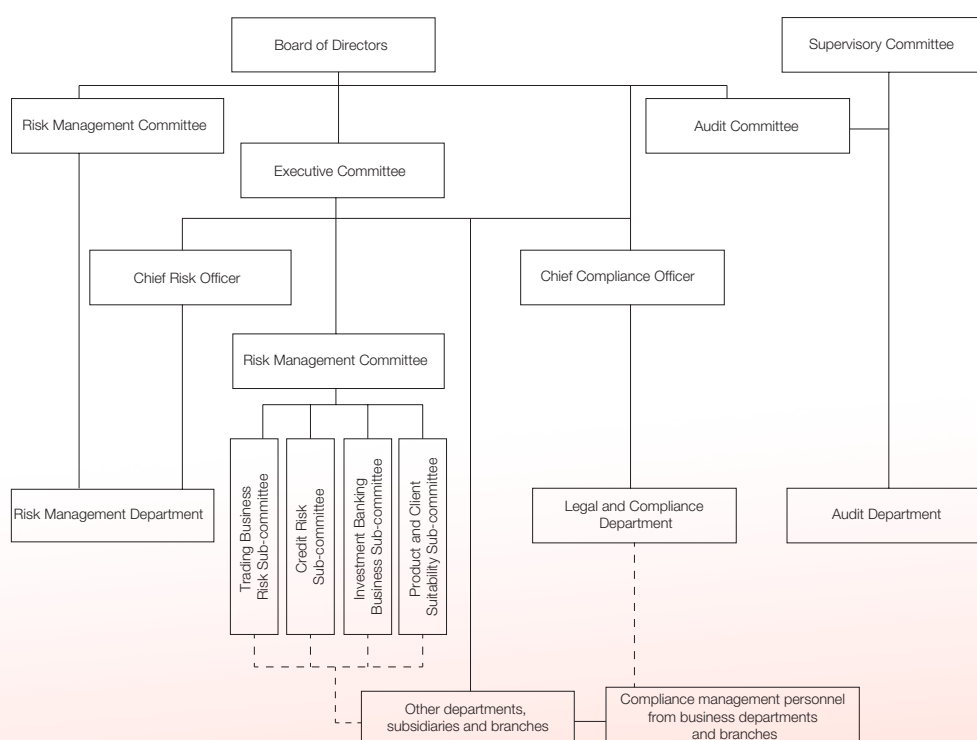
The Risk Management Committee under the Executive Committee is responsible for determining the Company's risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of the Company's risk management rules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

The Chief Risk Officer of the Company is responsible for leading the overall risk management professional work, organizing the formulation of relevant risk management rules and procedures, improving the Company's risk management systems, and guiding the Risk Management Department in the identification, evaluation, monitoring, reporting and other works of various risks.

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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



In addition, the Company has set up the Investment Banking Internal Inspection Department. Through company-level review, the Company conducted export management and terminal risk control of investment banking projects, performed ultimate approval and decision-making functions for the materials and documents submitted, reported, issued or disclosed in the name of the Company, and strengthened risk management for investment banking business.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Risk Management Mechanism

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

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

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

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

The Company has formulated guidelines for managing and controlling various types of risk, including market risk, credit risk, operational risk, liquidity risk, reputation risk and information technology risk, in order to guide and regulate the response to risks in various business lines. The Company has established crisis management mechanism and programs, formulated effective contingency measures and plans for various businesses, especially establishing emergency response mechanism for key risks and emergencies such as liquidity crisis and failures on transaction system, and conducted regular and irregular drills.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Company has built an information transmission mechanism for risk information and significant risk warnings, and conducted risk information transmission, management and significant risk warning works. The Risk Management Department formulates operational procedures for risk information submission and risk warnings, and the departments and branches report or warn risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information of the Company to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer of the Company and Risk Management Committee or executive management of the Company timely, communicates risk information to relevant departments timely at the same time, and tracks risk handling status. The Risk Management Department prepares risk reports and risk control recommendation reports according to the results on risk identification, monitoring and assessment, and reports the findings to involved departments and the executive management of the Company. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations proposed by relevant departments on the risk reports.

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

The Audit Department detects material defects in key rules and procedures and processes or internal control weaknesses through audits, reports these issues to the Supervisory Committee, the Audit Committee of the Board, executive management, the Legal and Compliance Department and the Risk Management Department, and urges rectification.

During the Reporting Period, as a pilot securities firm to consolidate supervisory undertakings, the Company continued to strengthen the vertical control of domestic and overseas subsidiaries and the group integrated management in accordance with regulatory requirements, and optimized the new business and new product risk control, the risk management for OTC derivatives business, the construction of risk management system and other aspects, resulting in further improvement of risk identification and management and control capabilities of the Company.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

1. Strategic Risk Management

Strategic risks refer to the risks that affect the Company's overall development direction, corporate culture, information and capability of survival or corporate effectiveness.

Based on serving the real economy and serving national strategies, the Company implements national financial policies, relies on the development environment of the capital market with Chinese characteristics, and takes the Company's core values, development vision and goals as the internal guidelines for formulating various strategic plans; the Company establishes rational organizational structure of strategic management, improves the strategic management mechanism, and clarifies the procedures and methods for formulating and executing the strategic planning; the Company establishes assessment mechanism for strategic risk, pays close attention to the macroeconomic situation at home and abroad, the status of the industry, national industrial policies, scientific and technological progress, technological innovation, strategic partners, competitors and market demand, and identifies, analyses and evaluates strategic risks; based on the assessment on the implementation of strategic planning, the Company will make adjustment or take targeted measures to effectively prevent and control strategic risks when necessary.

2. Credit Risk Management

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

The Company has established a relatively complete credit risk management system, improved management processes covering various aspects such as due diligence, credit rating, credit management, collateral management, follow-up management and asset classification, and strengthened the management of the same customer as well as the concentration control of industry, region and specific products.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

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

Credit risks related to bond investments primarily include risks such as defaults from bond financing instrument issuers or decline in the creditworthiness of issuers, and defaults of counterparty to bond trade. The Company conducts necessary due diligence for issuers and counterparties, establishes an internal rating system for implementing internal rating on issuers, debts and counterparties, and executes access control and limit management based on internal and external rating, so as to control credit risk of bond investment by periodic and non-periodic risk screening, post-investment tracking and other methods. In order to control credit risks relating to over-the-counter derivative transactions, the Company has set counterparty ratings and credit systems, and controlled the counterparty's trading limits and credit risk exposures before transactions can take place. The Company conducts a daily check and measurement on the credit risk exposures of counterparties. The Company has adopted mark-to-market practices to monitor the contracts of derivative transactions and for valuation of collateral, and established the forced position liquidation system to control the credit risk exposures of its customers within the credit limits.

In order to control the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Company strictly complies with relevant trading and settlement rules and procedures to eliminate non-compliant financing operations for clients and implement the classification management for repurchase financing clients at the same time, and prevents its clients from overdraft or negative balance through conducting due diligence for clients and establishing reasonable trading limits with customers, implementing the internal discount rate standard of equivalent securities and other measures. For option trading clients, the Company controls the credit risk of clients by implementing margin management, position limit system, forced position liquidation system and other measures.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, the Risk Management Department monitors the credit risk, including tracking the changes in credit qualification of counterparties and bond issuers and giving risk warning, monitoring coverage of collateral for securities and financial business, requiring the business department to effectively fulfill its duty of post-investment management, as well as measuring and assessing the credit risk of major business lines through stress tests, sensitivity analysis and other methods.

3. Liquidity Risk Management

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

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

During the Reporting Period, the Company rationally planned the scale of our assets and liabilities, optimized the maturity structure of liabilities, maintained adequate liquidity reserve, and conducted emergency drills in the context of the occurrence of liquidity gaps in overseas subsidiaries; the liquidity coverage ratio and the net stable funding ratio were within the compliant and stable range, and the liquidity risk was measurable and controllable.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

4. Market Risk Management

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

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

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

With regard to foreign exchange risk, the Company commenced the foreign exchange settlement and sale business on a pilot basis with the approval of the SAFE in 2020, and China Securities International, the overseas subsidiary, held assets and liabilities denominated in foreign currencies. During the Reporting Period, as the proportion of the assets and liabilities denominated in foreign currencies held by our Company to the overall assets and liabilities slightly increased but was not significant, and its proportion in the income was low, the Company was of the view that the foreign exchange rate risk did not have a significant impact on the Company's current operations as a whole. The Company established a foreign exchange risk management mechanism and managed its foreign exchange risk by, among others, limiting the size of assets and liabilities denominated in foreign currencies and general position management on foreign exchange settlement and sale, assigning stop-loss limits for proprietary investment and risk exposures limits for the Company, and making use of risk hedging instruments for foreign exchange derivatives.

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

5. Operational Risk Management

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

Concerning the potential operational risks in each business and management activity of the Company, the Company has carried out mutual segregation for different businesses, and established three lines of defense for each business line so as to establish a segregated checks and balances mechanism among its front, middle and back offices; established and reinforced the license management and accountability system, as well as the management system, procedures and risk control measures for each business; transferred and mitigated operational risks by way of, among others, personnel or operation outsourcing and purchase of insurance where necessary within the scope of authority of the Company; improved the mechanisms for information exchange, major events reporting and information feedback.

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

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

6. Information Technology Risk Management

Information technology risks refer to the operational, legal and reputational risks incurred from natural factors, human factors, technical defects and management flaws in the course of application of the information technology by the Company.

The IT Department of the Company is responsible for the management of planning, establishment, and operation and maintenance of the information technology system. The Company carries out centralized management and backup of the data in transaction system; implements mutual separation among the positions in charge of development, testing, and operation and maintenance of information technology system, as well as mutual separation among the positions in charge of operating data management and application system, and implements strict control of access authority and track records, controls the choice of relevant software, hardware and external suppliers in information technology system; enhances external system management; performs real-time and automatic monitoring of the connection of important communication network and operation of the significant business system. In early 2023, the Company established the Data Management Department, which took a leading role in the implementation of construction of data governance system, the promotion of execution and implementation of data-related standardized rules and the coordination of data management efforts to promote the improvement in the Company's data quality and the application effectiveness of information technology. In addition, the emergency management for business continuity of the Company is organized by the Risk Management Department, with the technical support provided by the IT Department and the involvement from all relevant business departments.

7. Legal Risk and Compliance Risk Management

Legal risks refer to the risk arising from failure to perform contracts due to invalidity within the law, or improper entering into of the contracts and other reasons; compliance risks refer to the risk that the Company may be exposed to legal sanction or regulatory punishment, major financial loss or reputation loss as a result of its non-compliance with the laws and regulations, regulatory rules, self-regulatory rules as well as code of conduct applicable to the Company's own business activities.

SECTION 4 MANAGEMENT DISCUSSION AND ANALYSIS

The Legal and Compliance Department uniformly manages legal affairs of the Company and controls legal risks. The Legal and Compliance Department leads to review all agreements and contracts of the Company, provides legal opinions on major business matters of the Company, and uniformly manages and guides to handle litigations and arbitrations. Meanwhile, as a department responsible for compliance management, the Legal and Compliance Department is under the leadership of the Chief Compliance Officer to independently carry out the compliance management of the Company. The main compliance management responsibilities of the Legal and Compliance Department are: tracking, analysing and preaching laws and regulatory rules currently in effect; timely identifying, evaluating and managing compliance risk in business operation and business innovation of the Company through methods such as compliance consultation, compliance review, compliance inspection and compliance supervision. Specific or part-time compliance management officers are engaged by the Company in all functional departments, business lines and branches, and are responsible for daily compliance management in their own departments. The compliance management of the Company has permeated all aspects, such as decision-making, implementation, supervision and feedback, and has been included in the whole process of the operation management of the Company. The Company proactively cultivates a culture of compliance and improves the self-restraint mechanisms in order to ensure compliant operations and standardized development.

In April 2023, the CSRC imposed an administrative penalty on Amethystum Storage Technology Co., Ltd. (“Amethystum Storage”) due to its fraudulent issuance and violation of laws and regulations in respect of information disclosure. As the sponsor and lead underwriter of Amethystum Storage, the Company contributed RMB1.0 billion jointly with other intermediaries in May 2023 to establish a special fund for compensation in advance for the Amethystum Storage event, which was used to compensate eligible investors for their investment losses in advance, so as to protect the legitimate rights and interests of investors and maintain the stability of the securities market order. The Company also proactively applied to the CSRC for the application of the Rules for the Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement and entered into the Agreement on Recognition of the Undertakings Made by the Parties to Administrative Law Enforcement with the CSRC in December 2023. For details, please refer to relevant announcements of the Company.

8. Reputation Risk Management

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

SECTION 5 REPORT OF DIRECTORS

I. BUSINESS REVIEW

Facing the complicated and ever-changing market environment in 2023, the Company actively took responsive measures and maintained steady development, ensuring the favorable development of all businesses. Please refer to “Section 4 Management Discussion and Analysis” in this report for the principal businesses, operating models and specific industry situations of the Group.

II. MAJOR RISKS AND UNCERTAINTIES

The major risks to which the Company is exposed include market risk, credit risk and liquidity risk. For the risk management objectives and policies of the Company, please refer to the description of the risk management of the Company in this annual report. Please refer to “Section 4 Management Discussion and Analysis – III. Discussion and Analysis on Future Development of the Company – (VI) Potential Risks” of this annual report for the major risks and uncertainties to which the Company was exposed in 2023.

III. RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Adhering to the principle of operating in accordance with laws and regulations for a long time, the Company complies with the national laws and regulations, normative documents and various regulatory requirements. In order to control operational risks, the Company established a sound corporate system by setting up a basic system at the company level, under which each business line, department and branch shall establish a highly operable management system, operational process and standardized regulations. The system of the Company covers all its businesses and processes. In 2023, the Company formulated/amended and reviewed over 200 internal management systems to enhance internal control level according to regulatory requirements and the needs for business management of the Company; the Legal and Compliance Department of the Company is the department for the management of the systems of the Company and shall be responsible for reviewing and approving the systems of the Company, and requiring the business and management departments of the Company to implement the requirements of the regulatory authorities and self-regulatory organizations in the business systems of the Company in a timely manner, so as to ensure that each internal system of the Company complies with the laws and regulations, normative documents and regulatory requirements, and guarantee the coordination and uniformity among the systems of the Company.

IV. PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

The formulation and implementation of the cash dividend policy and the 2023 profit distribution plan of the Company are set out in “Management Discussion and Analysis – Profit Distribution Policy of the Company” of this annual report.

V. TAX RELIEF

Tax Relief of A Shareholders

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

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

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

Pursuant to the provisions of Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and CSRC, for the income from dividends and bonuses derived by investors (including enterprises and individuals) in Hong Kong market by investing A shares listed on the SSE, before fulfilling the condition for providing detailed data such as identities of investors and period of shareholding to CSDC by Hong Kong Securities Clearing Company Limited, differential taxation collection policies are not implemented temporarily in accordance with the period of shareholding. Instead, the listed company withholds income tax at a tax rate of 10%, and handles the withholding declaration with its competent tax authorities. For Hong Kong investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with China stipulating a income tax rate for dividends and bonuses of lower than 10%, those enterprises and individuals may, on its own or entrusting a withholding agent, apply to the competent tax authorities of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authorities, the paid amount in excess of the tax payable by such enterprises and individuals based on the tax rate according to such tax treaty shall be refunded.

SECTION 5 REPORT OF DIRECTORS

Tax Relief of H Shareholders

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

Pursuant to the provisions of Circular Concerning Questions on Withholding and Payment of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Overseas Non-resident Corporate Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, any PRC resident enterprises distributing dividends for the years from 2008 (inclusive) to overseas non-resident corporate shareholders shall withhold enterprise income tax at a uniform tax rate of 10%.

SECTION 5 REPORT OF DIRECTORS

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

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

In accordance with the “accounting treatments for deferred income tax related to assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply” as stipulated in Amendments to IAS 12: Deferred income tax related to assets and liabilities arising from a single transaction, the abovementioned content was effective from January 1, 2023. During the Reporting Period, the Company made retrospective adjustments to its financial data for 2022 in accordance with such provision, and adjusted the relevant financial statement items for the earliest period of financial statement presentation based on the cumulative effect amounts. This accounting treatment had no significant impact on the consolidated financial statements of the Group.

SECTION 5 REPORT OF DIRECTORS

VII. SIGNIFICANT FINANCING

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

1. In January 2023, the Company non-publicly issued corporate bonds with a par value of RMB3.0 billion, of which the issuance scale of type I “23 Xintou F1” amounted to RMB500 million, with a bond term of 3 years and a coupon rate of 3.20%, in respect of which the Company had the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type I bonds and the bondholders of the bonds had the right to sell back all or part of the type I bonds held by them to the issuer at the end of the second year of the duration of the type I bonds; the issuance scale of type II “23 Xintou F2” amounted to RMB2.5 billion, with a bond term of 5 years and a coupon rate of 3.35%, in respect of which the Company had the right to decide whether to adjust the coupon rate for the subsequent interest-accruing period of the type II bonds and the bondholders of the bonds had the right to sell back all or part of the type II bonds held by them to the issuer at the end of the third year of the duration of the type II bonds. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
2. In February 2023, the Company non-publicly issued “23 Xintou F3” corporate bonds with a par value of RMB1.5 billion, a bond term of 2 years and a coupon rate of 3.10%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
3. In May 2023, the Company publicly issued subordinated bonds with a par value of RMB3.5 billion, of which the issuance scale of “23 Xintou C1” amounted to RMB1.5 billion, with a bond term of 2 years and a coupon rate of 2.99%; the issuance scale of “23 Xintou C2” amounted to RMB2.0 billion, with a bond term of 3 years and a coupon rate of 3.15%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
4. In July 2023, the Company publicly issued subordinated bonds with a par value of RMB4.5 billion, of which the issuance scale of “23 Xintou C3” amounted to RMB3.0 billion, with a bond term of 2 years and a coupon rate of 2.86%; the issuance scale of “23 Xintou C4” amounted to RMB1.5 billion, with a bond term of 3 years and a coupon rate of 3.04%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
5. In July 2023, the Company publicly issued subordinated bonds with a par value of RMB3.5 billion, of which the issuance scale of “23 Xintou C5” amounted to RMB1.0 billion, with a bond term of 2 years and a coupon rate of 2.74%; the issuance scale of “23 Xintou C6” amounted to RMB2.5 billion, with a bond term of 3 years and a coupon rate of 2.95%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
6. In August 2023, the Company publicly issued subordinated bonds with a par value of RMB3.5 billion, of which the issuance scale of “23 Xintou C7” amounted to RMB1.0 billion, with a bond term of 2 years and a coupon rate of 2.75%; the issuance scale of “23 Xintou C8” amounted to RMB2.5 billion, with a bond term of 3 years and a coupon rate of 3.00%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.

SECTION 5 REPORT OF DIRECTORS

7. In August 2023, the Company publicly issued corporate bonds with a par value of RMB4.0 billion, of which the issuance scale of “23 Xintou G2” amounted to RMB1.5 billion, with a bond term of 5 years and a coupon rate of 2.97%; the issuance scale of “23 Xintou G3” amounted to RMB2.5 billion, with a bond term of 10 years and a coupon rate of 3.15%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
8. In October 2023, the Company publicly issued corporate bonds with a par value of RMB3.0 billion, of which the issuance scale of “23 Xintou G4” amounted to RMB1.0 billion, with a bond term of 3 years and a coupon rate of 2.91%; the issuance scale of “23 Xintou G5” amounted to RMB1.0 billion, with a bond term of 5 years and a coupon rate of 3.10%; the issuance scale of “23 Xintou G6” amounted to RMB1.0 billion, with a bond term of 10 years and a coupon rate of 3.34%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
9. In October 2023, the Company publicly issued corporate bonds with a par value of RMB2.5 billion, of which the issuance scale of “23 Xintou G7” amounted to RMB500 million, with a bond term of 3 years and a coupon rate of 2.94%; the issuance scale of “23 Xintou G8” amounted to RMB500 million, with a bond term of 5 years and a coupon rate of 3.13%; the issuance scale of “23 Xintou G9” amounted to RMB1.5 billion, with a bond term of 10 years and a coupon rate of 3.35%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
10. In November 2023, the Company publicly issued corporate bonds with a par value of RMB3.8 billion, of which the issuance scale of “23 Xintou 10” amounted to RMB1.5 billion, with a bond term of 3 years and a coupon rate of 2.87%; the issuance scale of “23 Xintou 11” amounted to RMB2.3 billion, with a bond term of 5 years and a coupon rate of 3.07%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
11. In November 2023, the Company publicly issued “23 Xintou S1” short-term corporate bonds with a par value of RMB5.0 billion, a bond term of one year, a coupon rate of 2.69%, and the bullet repayment of the principal and interest. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate.
12. In December 2023, the Company publicly issued corporate bonds with a par value of RMB4.0 billion, of which the issuance scale of “23 Xintou 13” amounted to RMB1.5 billion, with a bond term of 3 years and a coupon rate of 2.95%; the issuance scale of “23 Xintou 14” amounted to RMB2.5 billion, with a bond term of 5 years and a coupon rate of 3.15%. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate and paid on a yearly basis.
13. In December 2023, the Company publicly issued “23 Xintou S2” short-term corporate bonds with a par value of RMB5.5 billion, a bond term of one year, a coupon rate of 2.76%, and the bullet repayment of the principal and interest. The bonds were unsecured bonds with interest accrued per annum in the form of fixed interest rate.

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

SECTION 5 REPORT OF DIRECTORS

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

As of December 31, 2023, the Company or any of its subsidiaries did not repurchase, sell or redeem securities of the Company.

IX. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

X. SERVICE CONTRACTS AND APPOINTMENT LETTERS OF DIRECTORS AND SUPERVISORS

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

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

XI. PERMITTED INDEMNITY PROVISIONS

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

XII. MANAGEMENT CONTRACTS

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

XIII. REMUNERATION POLICIES

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

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

SECTION 5 REPORT OF DIRECTORS

XIV. DIRECTORS' AND SUPERVISORS' INTERESTS IN MATERIAL CONTRACTS

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

XV. DIRECTORS' INTERESTS IN BUSINESSES COMPETING WITH THE COMPANY

During the Reporting Period, the Directors of the Company did not hold any interests in businesses competing with the Company.

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

To the knowledge of the Directors, as of December 31, 2023, no Directors, Supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance), which were required, pursuant to Section 352 of the Securities and Futures Ordinance, to be recorded in the register to be kept by the Company, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

As of December 31, 2023, no Directors, Supervisors or their respective spouses or children under 18 years of age had been granted the rights to gain benefits by way of purchasing Shares or debentures of the Company or exercise any aforesaid rights by themselves, nor had Directors, Supervisors or their respective spouses or children under 18 years of age been granted the aforesaid rights from any other corporate body due to the arrangement made by the Company or any of its subsidiaries.

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

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

XVIII. PRE-EMPTIVE RIGHTS

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

XIX. RESERVES AND RESERVES OF DISTRIBUTABLE PROFITS

Please refer to "Consolidated Statement of Changes in Equity" and "Note 46 to the Consolidated Financial Statements" of this annual report for changes in the reserves and reserves of distributable profits.

XX. PROPERTY, PLANT AND EQUIPMENT

Please refer to "Note 17 to the Consolidated Financial Statements" of this annual report for information about property, plant and equipment of the Group as of December 31, 2023.

SECTION 5 REPORT OF DIRECTORS

XXI. MAJOR CLIENTS AND SUPPLIERS

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

In 2023, the total revenue and other income of the Company from the top five clients in the aggregate did not exceed 30% of the Company's total revenue and other income in the aggregate. By virtue of the nature of our business, the Company had no major suppliers.

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

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

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

XXIII. SUFFICIENT PUBLIC FLOAT

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

Immediately after the completion of the initial public offering of A Shares in 2018, the number of H Shares held by the public is not less than 16.49% of the total issued Shares; immediately after the completion of the non-public issuance of A Shares in 2020, the number of H Shares held by the public is not less than 16.26% of the total issued Shares; immediately after the completion of the increase in the shareholding of H Shares by the largest Shareholder, Beijing Financial Holdings Group, in 2023, the number of H Shares held by the public is not less than 15.06% of the total issued Shares. Based on the public information available to the Company and to the knowledge of the Directors as at the Latest Practicable Date before the publishing of this annual report, the Company satisfies the public float requirements by continuously maintaining a total public float of A Shares and H Shares of not less than 17.40%.

SECTION 5 REPORT OF DIRECTORS

XXIV. CORPORATE GOVERNANCE

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

XXV. PERFORMANCE OF SOCIAL RESPONSIBILITIES

2023 was the first year to fully implement the spirit of the 20th CPC National Congress. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, CSC fully implemented the spirit of the 20th CPC National Congress, the Central Financial Work Conference and the Central Economic Work Conference, completely, accurately and comprehensively implemented the new development concept, deeply grasped the political and people-oriented nature of financial work, actively fulfilled its corporate social responsibilities, and strived to create long-term sustainable and shared values for Shareholders, customers, employees and other stakeholders.

In terms of stable operations, the Company continued to optimize its governance structure, adhered to operating compliantly, strengthening risk management and promoting the construction of a business integrity system, fulfilled the anti-money laundering responsibilities of financial institutions, regulated and strengthened intellectual property management, and actively carried out responsible marketing, so as to promote green and low-carbon operations, commit itself to improving its business management level, and consolidate the foundation of long-term and stable development.

In terms of sustainable development, with the aim of “serving the real economy, promoting green development, and enhancing people’s well-being”, the Company built a sustainable financial framework, integrated the sustainable development and ESG factors into business development and risk management, served national strategies such as innovation-driven, national security and green development, promoted inclusive finance, and safeguarded the high-quality development of the real economy.

In terms of customer service and investor protection, the Company adhered to the customer-oriented principle, continuously optimized the customer service system, strengthened the construction of digital platforms, promoted the wide application of financial technologies, and strived to improve customers’ service experience and overall satisfaction. In 2023, the Company completed the digital upgrading and transformation of its physical investor education base “Jingxin Academy”, launched, among others, mini programs and games on the base, received physical visits and public welfare lectures organized by teachers and students from colleges and universities, cooperated deeply with colleges and universities in Beijing to offer a series of national education courses, and strived to realize incorporating investor education into the national education system, so as to improve the national financial literacy, and enhance investors’ risk prevention awareness.

In terms of employee development, the Company adhered to the principle of putting people first, respected and protected human rights, constantly optimized the remuneration and welfare policies, improved the talent cultivating system, improved the office environment, cared about the physical and mental health development of employees, and organized and conducted cultural activities under the themes of Cooking Show, Mid-Autumn Poetry Festival, “Snapshot” Photographic Activity, Youth Mien Short Video Contest and “Build the Dream of China, and Meet in Beijing”, as well as cultural and sports activities such as Basketball Competition, Badminton Competition and Brisk Walking, enriching the amateur cultural life of employees, creating a vibrant workplace, and committing itself to achieving the common growth of employees and the Company.

SECTION 5 REPORT OF DIRECTORS

In terms of giving back to society, the Company took implementing the national strategies, serving the real economy and promoting common prosperity as its own responsibility, and solidly promoted social welfare work. In 2023, the Company and its subsidiaries actively participated in various social welfare activities, with an external public welfare expenditure of RMB20.7361 million, of which RMB2,749.6 thousand was used as charitable donations, including allocating RMB2.00 million to the CSC Welfare Fund, of which RMB200 thousand was used for special public welfare projects such as the post-earthquake reconstruction project in Jishishan County, Gansu Province. At the same time, the Company fully mobilized the enthusiasm of employees to participate in social public welfare work, and organized employees to voluntarily participate in a number of social welfare activities, such as disaster relief donations, standing guard during the “Two Sessions”, “Internet +” National Voluntary Tree Planting, “Great Walker” public trekking, Red Sea Protection Volunteering, and Lighting up the Wishes of Rural Children on June 1.

In 2023, with its good performance in the field of sustainable development, the Company’s MSCI ESG rating rose to level A, ranking among the top tier in domestic securities firms.

For details of the Company’s social responsibility performance in 2023, please refer to the 2023 Social Responsibility & Environmental, Social and Governance (ESG) Report of CSC Financial Co., Ltd., which is disclosed simultaneously with this annual report.

XXVI.AUDITORS AND AUDIT COMMITTEE

Please refer to “Section 6 Other Significant Events – II. Engagement or Dismissal of Accounting Firms” of this annual report for the engagement or dismissal of accounting firms.

XXVII.ENVIRONMENTAL POLICY AND PERFORMANCE

In 2023, the Company actively implemented the concept of green development, adhered to a green and low-carbon development approach, and consciously fulfilled its corporate environmental responsibilities in both aspects of its own operations and green finance.

1. Green Operation

As a financial enterprise, the Company is principally engaged in financial business, and energy consumption and carbon emission in the business operation process are mainly attributed to daily office work, involving energy types such as electricity, natural gas, gasoline used in self-owned vehicles, etc.; the water resources used come from municipal water, and there are no problems in obtaining water resources; the waste generated mainly includes non-hazardous waste such as office waste and kitchen waste, and hazardous waste such as waste electronic products. In 2023, the Company did not have any major environment protection issues, was not punished for events violating the environment protection regulations, and did not receive any environmental complaints.

The Company adheres to promoting green development and effectively reduces the negative impact of its own operations on the environment. The Company has set the three-year environmental management target in 2022, clearly stating that by 2025, GHG emissions per unit area, power consumption per unit area and water consumption per unit area of the Company will all show a downward trend as compared with that in 2022, and the Company has committed to gradually improving the source identification and statistical analysis of non-hazardous and hazardous waste, and controlling waste production at a lower level.

SECTION 5 REPORT OF DIRECTORS

In 2023, the Company promoted green, clean and low-carbon operations by continuously strengthening the management of energy consumption in office areas, promoting paperless office activities, regulating waste recycling and disposal, advocating green and low-carbon travel, conducting green procurement, promoting the construction of green data centers and other methods, with green operation as the strategic cornerstone, and actively promoted environmental protection concepts so as to raise public awareness of green environmental protection values, and encourage the low-carbon and environmentally friendly lifestyles.

2. Green Finance

With the aim of “serving the real economy, promoting green development, and enhancing people’s well-being”, the Company built a comprehensive and sustainable financial framework, carried out green investment and financing activities focusing on the green and low-carbon fields, through investment banking, asset management, proprietary investment, equity pledge and other businesses, providing financing support for industries and enterprises such as energy conservation and environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure, and green service, actively promoted the development of “green finance”, jointly seized opportunities for green development, promoted social green and low-carbon transformation and development, and assisted in the construction of a strong financial country.

In terms of green financing, during the Reporting Period, the Company completed 12 green and low-carbon enterprise equity financing projects such as Hunan Yuneng and Risen Energy, with an underwriting amount of RMB27.657 billion and a financing scale of RMB29.889 billion; led the underwriting of 105 green bonds, with a lead underwriting scale of RMB62.621 billion, and raised capital of RMB360.234 billion, among which, there were 21 carbon neutral bonds, with a lead underwriting scale of RMB7.702 billion, and the capital raised amounted to RMB27.183 billion (Source: Wind Info); assisted SPIC in successfully issuing the first new energy public REITs for state-owned enterprises in China, and raised capital of RMB7.840 billion; participated in the sales of a total of 144 ESG bonds from the National Association of Financial Market Institutional Investors in the fixed-income participation distribution business, with a sales scale of RMB10.657 billion, among which, there were 65 green and low-carbon bonds, with a sales scale of RMB5.547 billion, and 79 social and livelihood bonds, with a sales scale of RMB5.110 billion. China Securities International participated in and completed 29 overseas ESG bond projects, including 22 green bonds, one blue bond and six sustainable development bonds, with a cumulative financing amount of over USD10.5 billion.

SECTION 5 REPORT OF DIRECTORS

In terms of green investment, the Company responded to the requirements of the national “carbon peak and carbon neutrality” strategic layout, actively fulfilled the concept of responsible investment to deeply integrate ESG concepts with investment business, formulated the “Statement for Responsible Investment by CSC Financial Co., Ltd.” in 2022, established an organizational structure for making investment responsibly, and continuously promoted the investment business department to integrate ESG factors into research and analysis, and investment decision-making process, continuously improving the level of making investment responsibly. During the Reporting Period, the Company incorporated factors related to environmental fields into the investment analysis and decision-making process of the Company, and applied strategies such as screening, ESG integration, and sustainable development themed investment to carry out green equity and debt investments, supporting the development of green and low-carbon industries. During the Reporting Period, the Company issued three “Fixed Income-Plus” products under the ESG strategy, with an issuance scale of RMB442 million; as of the end of the Reporting Period, a total of six “Fixed Income-Plus” products under the ESG strategy were established, with a total scale of RMB707 million; the Company invested in 85 green bonds with its proprietary funds, with a total investment scale of RMB6.488 billion.

The Company continued to arrange its carbon finance business, and implemented various infrastructure construction tasks for domestic carbon market transactions. In February 2023, the Company received the No-Objection Letter for CSC Financial Co., Ltd.’s Proprietary Participation in Carbon Emissions Trading (Ji Gou Bu Han [2023] No. 97) from the CSRC, and was allowed to proprietarily participate in carbon emissions trading in domestic legal trading venues. During the Reporting Period, the Company quickly implemented various infrastructure construction tasks for domestic carbon market transactions, and carried out the first carbon quota transaction and carbon quota forward transaction in June and August 2023 respectively. During the Reporting Period, the Company participated in the First National Carbon Market Simulation Trading Competition hosted by the Shanghai Environment and Energy Exchange and won the Award of Positive Contribution Unit in the competition.

The Company focused on ESG investment strategies, investment portfolio carbon emission measurements, themed funds and other aspects to conduct responsible investment and ESG research, solidified the theoretical foundation of the Company’s ESG investment and financing business, and provided clients with research consultation services such as carbon emission measurement models, ESG practice research, and ESG fund research for listed companies and investment portfolios, so as to deepen the construction of ESG capacities. During the Reporting Period, the Company conducted research on ESG-related investment value and risk analysis in the steel, energy, transportation and power industries as well as other traditional transformation industries, and wrote and published multiple ESG research reports. The Company focused on issues such as carbon finance, green investment, and ESG-standardized information disclosure, and organized and conducted multiple industry exchange meetings related to green finance in the forms including ESG-themed strategy meetings, closed-door salons, overseas bonds and ESG-themed exchange forums such as “Sustainable Finance and ESG Rating” and “Digital Finance and ESG Special Session”.

3. Measures Taken to Reduce its Carbon Emissions during the Reporting Period and their Effects

The Company continued to promote carbon reduction measures, with its GHG emissions per unit area being reduced from 0.046 tCO₂e/m² to 0.039 tCO₂e/m². During the Reporting Period, the Company promoted green, clean and low-carbon operations by continuously strengthening the management of energy and water resources consumption in office areas, promoting paperless office activities, advocating green and low-carbon travel, conducting green procurement, promoting the construction of green data centers and other methods, with green operation as the strategic cornerstone.

In 2023, the Company promoted the construction of green data centers, and reduced its energy consumption by combining and reforming the main pipes of cooling towers, installing frequency converters for refrigeration pumps/cooling pumps/cooling towers, controlling refrigeration machines on a grouping basis, monitoring the air conditioning and environment in machine rooms used as the IDC, revising the arrangement of wires in machine rooms, using hot aisles/cold aisles for air conditioning in machine rooms, introducing automated energy management and control platforms and renovating other infrastructures.

The Company took full consideration of the low-carbon and environmental protection factors in the office areas of its headquarters, and adopted an intelligent and energy-saving central air conditioning system for the buildings to reasonably set the temperatures of the air conditioners; installed LED energy-saving lamps and set them to the power-saving mode, so as to automatically turn off main lighting equipment during lunch breaks and off hours; used water-saving faucets to control water flow, installed water-saving direct water dispensers instead of bucket water dispensers, strengthened the daily maintenance of water equipment, and eliminated waste such as water leakage. At the same time, the Company actively promoted environmental protection concepts, and encouraged its employees to carry out energy-saving practices, turn off office computers or set them to the power-saving mode in a timely manner when out of use, and turn off the lights when leaving.

In terms of paperless office, the Company continuously promoted the integration construction of information systems, advocated paperless office, conference and training, promoted the use of emails, electronic processes, electronic seals and electronic devices, and reduced the use of paper in office processes. While implementing the OA system to cover daily office areas, paperless review had been realized through the implementation of All-in-one Counter System in terms of business modes, realizing the electronic signatures for over-the-counter business and off-site witness business in the business departments, and significantly reducing the use of office paper. As of the end of 2023, there were more than 300 business departments across the country fully launching and operating the All-in-one Counter System, with the function covering 99% of the account business, achieving centralized paperless review.

In terms of green travel, the Company encouraged and implemented the concept of low-carbon travel, managed the use of business vehicles, strictly prohibited the private use of business vehicles, and tracked the energy efficiency of vehicles in a timely manner, so as to promptly replace high energy-consuming equipment. When employees went out for official activities, they were encouraged to choose to travel by public transportations and develop reasonable route plans based on the number of people, destination distance, weather and other factors, to promote green commuting.

SECTION 5 REPORT OF DIRECTORS

In terms of green procurement, the Company gave consideration to both economic and environmental benefits in procurement activities, and gave priority to purchasing and using energy-, water- and resource-saving raw materials, products and services that were conducive to environmental protection under the same conditions of performance, technology, service and other indicators. In 2023, when decorating its new office areas, the Company took full consideration of environmental protection, resource conservation, safety and health, circulation and low carbon, and recycling promotion, strictly selected environmentally friendly decoration materials and construction techniques to minimize the generation of pollutants from the beginning, and adopted advanced and energy-saving low-temperature air supply systems.

For further details on environmental policy and performance, please refer to the 2023 Social Responsibility & Environmental, Social and Governance (ESG) Report of CSC Financial Co., Ltd., which is disclosed simultaneously with this annual report.

XXVIII. PENSION SCHEMES

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

The Group has also provided another defined contribution plan, i.e. corporate annuity scheme in mainland China, to some of its employees in mainland China. According to the requirements of the scheme, when an employee resigns, part of the amounts of the Company's contributions not vested in the employee may be reallocated to the Company's corporate annuity account based on the employee's actual working time. Such reallocated contributions will not affect the annuity contribution level of existing employees. No forfeited contributions are used to reduce the current contribution levels.

XXIX. FUTURE DEVELOPMENT/PROSPECT

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

By order of the Board
WANG Changqing
Chairman

Beijing, the PRC,
March 28, 2024

SECTION 6 OTHER SIGNIFICANT EVENTS

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

The analysis and explanation of the Board of Directors of the Company on reasons for and impact of changes in accounting policies, accounting estimates and accounting methods are set out in “Section 5 Report of Directors – VI. Analysis and Explanation of the Company on Reasons for and Impact of Changes in Accounting Policies and Accounting Estimates, or Rectification on Significant Accounting Errors” of this annual report.

II. ENGAGEMENT OR DISMISSAL OF ACCOUNTING FIRMS

Unit: RMB ten thousand

	Former appointment	Current appointment
Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP	KPMG Huazhen LLP
Remuneration for the domestic accounting firm	189	152.5
Term of audit service of the domestic accounting firm	8 years	1 year
Name of the overseas accounting firm	PricewaterhouseCoopers	KPMG
Remuneration for the overseas accounting firm	116	93
Term of audit service of the overseas accounting firm	8 years	1 year

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

Unit: RMB ten thousand

	Name	Remuneration
Accounting firm for internal control audit	KPMG Huazhen LLP	32

III. EXPLANATION OF ENGAGEMENT OR DISMISSAL OF ACCOUNTING FIRMS

The former accounting firm of the Company, PricewaterhouseCoopers Zhong Tian LLP, and its overseas member firm, PricewaterhouseCoopers, have served the Company continuously for 8 years until the completion of the audit work for 2022, reaching the longest period of continuous employment of accounting firms as stipulated in the Administrative Measures for the Selection and Appointment of Accounting Firms by State-owned Financial Enterprises from the Ministry of Finance. The Company shall change its accounting firm in 2023.

As being considered and approved at the 2022 annual general meeting of the Company, the Company appointed KPMG Huazhen LLP and its overseas member firm, KPMG, as the external auditors of the Company for 2023, which should be responsible for the provision of the relevant annual audit and interim review services in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively; and KPMG Huazhen LLP was appointed as the internal control auditor of the Company for 2023.

SECTION 6 OTHER SIGNIFICANT EVENTS

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

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

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

The Company and its related personnel have paid the abovementioned fines within the prescribed time. In response to such penalty, the Company has taken the following rectification measures: (1) immediately investigating into and rectifying the relevant issues spotted during the inspection, formulating a special rectification plan for the said issues as soon as possible and implementing the plan seriously; (2) comprehensively fulfilling its responsibilities on the management of anti-money laundering, and urging the relevant departments to strictly complete the task of rectification in accordance with their division of responsibilities on anti-money laundering; (3) continuing to consolidate the foundation of its internal control system, improving and optimizing its business processes, striving to improve the digitalization level of its anti-money laundering efforts, strengthening work supervision and management, and continuing to enhance the capabilities of the Company on the prevention and control of money laundering risks.

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

On February 24, 2023, Beijing CSRC issued the Decision on Taking Rectification Measures against CSC Financial Co., Ltd. ([2023] No. 43), pointing out that the Company had the following problems in the process of carrying out bond underwriting business: firstly, the internal control of its investment banking business was incomplete, and the quality control and internal audit were considerably loose; secondly, the work was not carried out in a standardized manner, and there were stupid mistakes in the documents submitted for certain projects; thirdly, trust management duties were not performed satisfactorily. The above behaviors violated the provisions of Article 3 and Article 61 of the Guidance for the Internal Controls of the Investment Banking Business of Securities Companies, and Article 58 of the Administrative Measures for the Issuance and Trading of Corporate Bonds, as a result of which Beijing CSRC decided to take administrative supervision measures for rectification against the Company. The abovementioned behaviors also violated the relevant provisions such as the Shanghai Stock Exchange Non-public Offering Corporate Bond Listing and Transfer Rules, and the Shanghai Stock Exchange Corporate Bond Listing Rules, as a result of which SSE imposed the supervision measures of written warning against the Company on April 10, 2023.

In response to such penalty, the Company has taken the following rectification measures: (1) comprehensively revising and improving its investment banking business system, strengthening its internal control operation management, reinforcing its internal control team construction, refining the internal control requirements, and strengthening the whole-process control; (2) organizing and carrying out special training, emphasizing the importance of risk prevention and control; intensifying the warning education for its employees, and requiring them to conduct meticulous due diligence and trust management; (3) enriching the means of trust management, reinforcing the construction of the special team for duration management, and strengthening the continuous tracking and monitoring on the issuers.

SECTION 6 OTHER SIGNIFICANT EVENTS

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

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

In response to such penalty, the Company has taken the following rectification measures: (1) constantly strengthening the management capabilities of the project team and the quality control operation team at the headquarters when cooperating with the Internet channels, improving its channel evaluation mechanism, rebuilding the management system and assessment mechanism of the WeChat groups, strengthening channel management, enhancing the complaint handling capability, etc.; (2) kicking off a company-wide self-examination and rectification of the shared network locations to strengthen the business data storage management capabilities; (3) urging the subsidiaries of the Company to establish rules and systems, while embedding a risk prevention mechanism for clean practices in processes such as financial management, project investment process, and post-investment management, and strengthening mutual check and balance between positions and internal supervision.

4. Administrative Supervision Measures of Issuing Warning Letters to CSC Taken by Beijing CSRC on June 16, 2023

On June 16, 2023, Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 104), pointing out that the Company had the following problems: firstly, it failed to formulate special internal systems on investment value research reports, or to specify tracking and monitoring systems on the publication or forwarding of the Company's research reports by third parties, and the Company's evaluation and assessment systems on compliance risk control were not sufficiently detailed; secondly, the management and approval of research on certain research reports were not in compliance with the requirements of the Company's internal systems, the original copies of certain research reports under random inspections were incomplete and the records of compliance review opinions were insufficient; thirdly, the information quoted in certain research reports under random inspections were inconsistent with the sources of information. The above situations violated the provisions of Article 3, Article 6, Article 9, Article 10 and Article 18 of the Interim Provisions on the Release of Securities Research Reports (CSRC Announcement [2020] No. 20), as a result of which Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company has taken the following rectification measures: (1) formulating special systems on investment value research reports, and specifying tracking and monitoring requirements on the publication or forwarding of the Company's research reports by third parties in relevant systems, so as to improve the compliance evaluation mechanism for the staff responsible for the release of securities research reports; (2) streamlining the authorization settings in the process of approving the research on the research business platforms, and adjusting the approval procedures based on the requirements from the relevant systems for the Company's research reports; (3) strengthening the management of sources of information and clarifying the criteria for quoting information in its research reports; emphasizing on keeping track in the process of reviewing and approving the research reports, maintaining complete records of the review opinions in the systems, and achieving compulsory uploading of the original copies of the research reports by means of systematic control.

SECTION 6 OTHER SIGNIFICANT EVENTS

5. Administrative Supervision Measures of Issuing Warning Letters to CSC Taken by Beijing CSRC on August 2, 2023

On August 2, 2023, Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 140), pointing out that the Company had the following problems in fulfilling its duties as the custodian of mutual funds: firstly, certain accounting and investment supervision personnel did not obtain the fund business practicing qualifications; secondly, the relevant rules and regulations for the fund custodian business of the Company were not updated in a timely manner; thirdly, open-ended funds should maintain a cash position of not less than 5% of the net asset value of the funds, or government bonds with a maturity date within one year. The Company set an adjustment grace period of ten trading days for the violation of the abovementioned standards in its investment supervision system. The above problems violated the provisions of Item (3) of Paragraph 1 of Article 8 and Paragraph 1 of Article 26 of the Administrative Measures for the Custodian Business of Securities Investment Funds, and Article 28 of the Administrative Measures for Operating the Public Offering of Securities Investment Funds, as a result of which Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company has taken the following rectification measures: (1) urging the relevant personnel who have not obtained the fund business practicing qualifications to participate in the fund business practicing qualification examination, and arranging for them to participate in business trainings. By now, all the practitioners have obtained the fund business practicing qualifications; (2) conducting a thorough review of its current custodian business systems, and completing the revision or improvement of various systems such as the Administrative Measures for the Fund Custodian Business of CSC Financial Co., Ltd.; (3) completing the modification of the relevant monitoring indicator in its investment supervision system, and checking the actual monitoring situation of such indicator. No violations in performing the supervision duties as the trustee have been spotted.

6. Administrative Supervision Measures of Issuing Warning Letters to CSC Taken by Beijing CSRC on October 11, 2023

On October 11, 2023, Beijing CSRC issued the Decision on Taking Administrative Supervisory Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2023] No. 216), pointing out that the Company had not conducted adequate review for the admission of certain counterparties and the continuous compliance of the appropriateness management requirements when carrying out the over-the-counter option business. The above situations revealed the inadequacy of the Company in compliance management, which violated the provisions of Article 3 of the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies, as a result of which Beijing CSRC decided to take administrative supervision measures of issuing warning letter to the Company.

In response to such penalty, the Company has taken the following rectification measures: (1) conducting special trainings on the over-the-counter option business and strengthening compliance reminding. The Company requires all its employees involved in the business process to strictly comply with the requirements for the counterparty admission and continuous appropriateness management in the over-the-counter option business, and report promptly when any violations of the customers are found; (2) enhancing the synergy between the headquarters and branches of the Company in the over-the-counter option business, emphasizing on the over-the-counter option admission processes and standards with its branches, and harshly implementing various requirements of business rules.

SECTION 6 OTHER SIGNIFICANT EVENTS

7. Administrative Penalties Imposed on Harbin Shangjing Avenue Securities Business Department and Harbin Xinyang Road Securities Business Department of CSC by the Heilongjiang Branch of the State Administration of Foreign Exchange on October 30, 2023

On October 30, 2023, the Heilongjiang Branch of the State Administration of Foreign Exchange issued the Written Decision of Administrative Penalty (Hei Hui Jian Fa [2023] No. 17 & 18), respectively pointing out that Harbin Shangjing Avenue Securities Business Department and Harbin Xinyang Road Securities Business Department of the Company did not submit financial accounting reports, statistical statements and other data in accordance with regulations, and decided to issue warnings to both of them and impose a fine of RMB50,000 on each of them.

In response to such penalty, the Company has taken the following rectification measures: Harbin Shangjing Avenue Securities Business Department and Harbin Xinyang Road Securities Business Department have paid the abovementioned fines within the prescribed time, and submitted relevant data to the Heilongjiang Branch of the State Administration of Foreign Exchange in accordance with regulations.

8. Administrative Penalties Imposed on CSC by the Beijing Branch of the State Administration of Foreign Exchange on November 6, 2023

On November 6, 2023, the Beijing Branch of the State Administration of Foreign Exchange issued the Written Decision of Administrative Penalty (Jing Hui Fa [2023] No. 30), pointing out that the Company violated regulations in handling capital account fund receipt and payment, and decided to impose a fine of RMB580,000 on the Company.

In response to such penalty, the Company has taken the following rectification measures: the Company has paid the abovementioned fines within the prescribed time, rethought carefully and actively implemented rectification measures, and will further improve its internal control management process for the capital account fund receipt and payment business in accordance with the policies and regulations on foreign exchange.

In addition, according to the information released on the website of the Central Commission for Discipline Inspection and the National Supervisory Commission on April 15, 2023, ZHOU Chengyue, former chairman of board of directors of China PPP Investment Funds Co., Ltd (中國政企合作投資基金股份有限公司) as well as the independent non-executive Director of the Company at that time, was subject to relevant disciplinary review and supervisory investigation for being alleged to have seriously violated discipline and law. The Company disclosed the Announcement on Being Temporarily Unable to Perform Duties by the Independent Non-Executive Director of CSC Financial Co., Ltd. on April 16, 2023, and the Announcement on Resignation of the Independent Non-Executive Director of CSC Financial Co., Ltd. on May 15, 2023. For details, please refer to the relevant announcements of the Company.

SECTION 6 OTHER SIGNIFICANT EVENTS

Subsequent events:

1. Self-regulatory Measure of Written Warning Imposed on CSC, WANG Haoji and FANG Yingjian by SZSE on January 3, 2024

On January 3, 2024, the SZSE issued the Regulatory Letter on CSC Financial Co., Ltd., WANG Haoji and FANG Yingjian (Shen Zheng Han [2024] No. 11), pointing out that the Company (as the sponsor) and WANG Haoji and FANG Yingjian (as the sponsor representatives) had the following illegal behaviors in the process of sponsoring for the initial public offerings and listings of shares on the ChiNext Board of XTX Technology Inc.: failure to pay enough attention to the situation of the market where the issuer was in and the comparable companies in the same industry, failure to adequately verify the sales of the issuer to the end customers, failure to express prudent professional opinions on the expected performance of the issuer, and failure to urge the issuer to improve the quality of its information disclosure. The above behaviors violated the provisions of Article 30 and Article 42 of the Rules for Reviewing Stock Offering and Listing on the ChiNext Board of the Shenzhen Stock Exchange. The SZSE decided to impose the self-regulatory measure of written warning on the Company, WANG Haoji and FANG Yingjian.

In response to such penalty, the Company has actively implemented rectification measures, and enhanced the investment banking business practicing ability of its practitioners through issuing business reminders, continuously carrying out training, intensifying industrial knowledge learning and exchange and other methods, so as to further enhance their awareness of fulfilling their duties at the first line of defense, and enhance their risk control awareness at the second and third lines of defense, i.e. quality control and internal audit.

2. Administrative Supervision Measures of Issuing Warning Letters to CSC Taken by Shandong CSRC on January 24, 2024

On January 24, 2024, Shandong CSRC issued the Decision on Taking Measures of Issuing Warning Letters to CSC Financial Co., Ltd. ([2024] No. 13), pointing out that the Company had the problem of continuous non-normative supervision: Yunding Technology Co., Ltd. raised funds of RMB868 million through non-public issuance of shares on September 8, 2022. On October 28, 2022, the funds raised which were withdrawn from the dedicated fund-raising account were used to replenish its working capital and repay debts. Shandong CSRC spotted the defects in and the irregular utilization of the relevant systems of the listed company. As a sponsor, the Company failed to perform its obligations of continuously supervising the listed companies in improving their systems and taking measures to regulate the process of using raising funds to replenish working capital and repay debts. The above situations violated the provisions of Article 14 of the Regulatory Guidelines on Listed Companies No. 2 – Regulatory Requirements for the Management and Utilization of Funds Raised by Listed Companies (CSRC Announcement [2022] No. 15), and Article 16 of the Measures for the Administration of the Sponsor Business of Securities Issuance and Listing (CSRC Order No. 170), as a result of which Shandong CSRC decided to take supervision measures of issuing warning letter to the Company and entered the relevant information into the database of integrity profiles in the securities and futures market.

In response to such penalty, the Company has actively implemented rectification measures, and enhanced the listed companies' awareness of using the raised funds in a lawful manner and the Company's own sense of responsibility in continuously supervising their behaviors by organizing their staff to deeply study the relevant regulations, intensifying the continuous supervision on and training of relevant personnel of listed companies, further strengthening on-site inspections of the utilization of funds raised by listed companies and other methods.

SECTION 6 OTHER SIGNIFICANT EVENTS

V. MATERIAL LITIGATION AND ARBITRATION

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

VI. MATERIAL CONTRACTS AND EXECUTION

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

VII. RELATED PARTY/CONNECTED TRANSACTIONS

The Company conducts connected transactions in strict compliance with the Hong Kong Listing Rules, the SSE Listing Rules and "Policy on Management of Related Party Transactions of CSC Financial Co., Ltd." (中信建投証券股份有限公司關聯交易管理制度). The Company's connected transactions were conducted based on the principles of fairness, openness and impartiality, and the connected transaction agreements were entered into based on the principles of equality, voluntariness, equivalent and compensation.

During the Reporting Period, the Company was in compliance with the requirements of connected transactions in Chapter 14A under the Hong Kong Listing Rules. During the Reporting Period, the Company did not have connected transaction which would be required to be disclosed under such rules. Details on related party transactions under the relevant accounting standards were set forth in Note 51 to the Consolidated Financial Statements as appended.

VIII. MATERIAL ACQUISITIONS AND DISPOSAL DURING THE REPORTING PERIOD

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

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

I. SHARE CAPITAL STRUCTURE OF THE COMPANY

As of December 31, 2023, the share capital structure of the Company was as follows:

Name of Shareholders	Type of Shares	Number of Shares	Percentage in the total number of Shares
Beijing Financial Holdings Group (北京金控集團) ^(Note 1)	A Shares	2,684,309,017	34.61%
	H Shares	93,080,000	1.20%
Central Huijin (中央匯金)	A Shares	2,386,052,459	30.76%
Other Shares held under the name of HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ^(Note 2)	H Shares	816,019,928	10.52%
CITIC Securities (中信証券)	A Shares	382,849,268	4.94%
Glasslake Holdings (鏡湖控股)	H Shares	351,647,000	4.53%
Tengyun Investment (騰雲投資)	A Shares	109,556,553	1.41%
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司) ^(Note 3)	A Shares	73,833,263	0.95%
Fujian Gui'an Xintiandi Tourism Culture Investment Co., Ltd. (福建貴安新天地旅遊文化投資有限公司)	A Shares	38,861,100	0.50%
China Construction Bank Corporation – Guotai CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 國泰中證全指證券公司交易型開放式指數證券投資基金)	A Shares	27,234,765	0.35%
China Construction Bank Corporation – Huabao CSI All Share Securities Company Trading Index Securities Investment Open-ended Fund (中國建設銀行股份有限公司 – 華寶中證全指證券公司交易型開放式指數證券投資基金)	A Shares	18,893,865	0.24%
Other public shareholders of A Shares	A Shares	774,080,745	9.98%
Other public shareholders of H Shares	H Shares	276,834	Less than 0.01%
Total		7,756,694,797	100.00%

Note 1: The Company issued the Overseas Regulatory Announcement – Announcement of CSC Financial Co., Ltd. on the Increase in Shareholding of H Shares of the Company by the Largest Shareholder and the Subsequent Plan for Shareholding Increase (《海外監管公告 – 中信建投證券股份有限公司關於第一大股東增持公司H股股份及後續增持計劃的公告》) on May 18, 2023, pursuant to which Beijing Financial Holdings Group, the largest shareholder of the Company, intended to accumulatively increase its shareholding of H Shares of the Company to an amount not exceeding 1.20% of the total issued share capital of the Company during the 12 months from the occurrence date of the shareholding increase. On November 22, 2023, the Company issued the Overseas Regulatory Announcement – Announcement of CSC Financial Co., Ltd. on the Completion of the Increase in Shareholding of H Shares of the Company by the Largest Shareholder (《海外監管公告 – 中信建投證券股份有限公司關於第一大股東增持公司H股股份實施完成的公告》), pursuant to which Beijing Financial Holdings Group completed the abovementioned shareholding increase plan. For details, please refer to the relevant announcements.

Note 2: HKSCC Nominees Limited was the nominee holder of the H Shares held by non-registered shareholders, and the shares indicated in the above table were other H Shares held under the name of HKSCC Nominees Limited other than Beijing Financial Holdings Group and Glasslake Holdings.

Note 3: The shares held by Hong Kong Securities Clearing Company Limited were A Shares held by non-registered shareholders under Shanghai Stock Connect.

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

II. SHAREHOLDERS

As of December 31, 2023, the total number of Shareholders of the Company was 147,412. Among them, 147,349 were A Shareholders and 63 were H Share registered Shareholders.

The H Share registered Shareholders included HKSCC Nominees Limited, which held H Shares of the Company as the nominee for all institutional and individual investors that maintained an account and were registered with it as of December 31, 2023.

III. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As of December 31, 2023, Beijing Financial Holdings Group, the largest Shareholder of the Company, held 35.81% of the Shares of the Company; Central Huijin, the second largest Shareholder of the Company, held 30.76% of the Shares of the Company.

From May 18, 2023 to November 20, 2023, Beijing Financial Holdings Group increased its shareholding in the Company by a total of 93,080,000 H Shares (representing 1.20% of the total number of Shares) by way of centralized bidding through SSE southbound trading system. Once the change was completed, Beijing Financial Holdings Group held a total of 2,777,389,017 Shares in the Company (representing 35.81% of the total number of Shares). For details, please refer to the relevant announcement.

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

(I) Beijing Financial Holdings Group

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

(II) Central Huijin

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

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

IV. DISCLOSURE OF INTERESTS

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

To the knowledge of the Directors, as at December 31, 2023, the following Shareholders (except Directors, Supervisors or chief executives) had interests or short positions in any Shares and underlying Shares of the Company required to be recorded in the register to be kept by the Company under Section 336 of the Securities and Futures Ordinance:

Name	Capacity	Number of Shares Directly and Indirectly Held	Class of Shares	Nature of Interest	Approximate Percentage of the Total Issued Ordinary Share Capital	Approximate Percentage of the Relevant Class of Shares
1. Beijing Financial Holdings Group (北京金控集團)	Beneficial owner	2,684,309,017	A Shares	Long positions	34.61%	41.32%
	Beneficial owner	89,249,500	H Shares	Long positions	1.15%	7.08%
2. Central Huijin (中央匯金)	Beneficial owner	2,386,052,459	A Shares	Long positions	30.76%	36.73%
3. CITIC Securities (中信証券)	Beneficial owner	382,849,268	A Shares	Long positions	4.94%	5.89%
	Approved lending agent	250,000	A Shares	Short positions	Less than 0.01%	Less than 0.01%
		250,000	A Shares	Long position (Shares available for lending)	Less than 0.01%	Less than 0.01%
4. Glasslake Holdings (鏡湖控股) ^(Note 1)	Beneficial owner	351,647,000	H Shares	Long positions	4.53%	27.89%
5. Affluent East Investments Limited (東滿投資有限公司) ^(Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
6. CITIC Limited (中信股份) ^(Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
7. CITIC Group (中信集團) ^(Note 1)	Interest of controlled corporation	351,647,000	H Shares	Long positions	4.53%	27.89%
8. Shanghai Ningquan Asset Management Co., Ltd. (上海寧泉資產管理有限公司)	Investment manager	100,121,500	H Shares	Long positions	1.29%	7.94%
9. Wellington Management Group LLP ^(Note 2)	Investment manager	75,929,699	H Shares	Long positions	0.98%	6.02%
		3,263	H Shares	Short positions	Less than 0.01%	Less than 0.01%

SECTION 7 CHANGES IN SHARES AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Glasslake Holdings is wholly-owned by Affluent East Investments Limited (東滿投資有限公司) (“Affluent East Investments”), which is in turn a wholly-owned subsidiary directly controlled by CITIC Limited. CITIC Group indirectly holds a majority of equity interest in CITIC Limited. Therefore, each of Affluent East Investments, CITIC Limited and CITIC Group is deemed to be interested in the H Shares held by Glasslake Holdings under the Securities and Futures Ordinance.
- (2) Wellington Management Group LLP holds the interests in a total of 75,929,699 H Shares (long position) and 3,263 H Shares (short position) in the Company by virtue of its relationship with certain corporations. 3,263 H Shares (short position) are held in a listed derivative instrument settled in cash. According to the disclosure of interest notice filed by Wellington Management Group LLP, with a relevant event date of November 1, 2023, the following interests in H Shares were held by Wellington Management Group LLP:

Name of Controlled Corporation	Name of Controlling Person	% Control	Direct Interest (Y/N)		Number of Shares
Wellington Group Holdings LLP	Wellington Management Group LLP	99.70	N	Long positions	75,929,699
				Short positions	3,263
Wellington Investment Advisors Holdings LLP	Wellington Group Holdings LLP	99.99	N	Long positions	75,929,699
				Short positions	3,263
Wellington Management Global Holdings, Ltd.	Wellington Investment Advisors Holdings LLP	94.10	N	Long positions	42,944,631
Wellington Management Company LLP	Wellington Investment Advisors Holdings LLP	99.99	Y	Long positions	32,985,068
Wellington Management Hong Kong Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Short positions	3,263
				Long positions	8,878,043
Wellington Management International Ltd	Wellington Management Global Holdings, Ltd.	100.00	Y	Long positions	34,066,588

Save as disclosed above, as at December 31, 2023, to the knowledge of the Directors, no other person (except Directors, Supervisors and senior management of the Company) had interests and short positions in the Shares, underlying Shares and debentures of the Company which were required, pursuant to Section 336 of the Securities and Futures Ordinance, to be recorded in the register to be kept by the Company referred to therein.

Save as disclosed in this report, as at December 31, 2023, Directors did not hold positions as directors or employees in companies which had interests or short positions that needed to be notified to the Company under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

Not applicable.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares			Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
						held at the beginning of the year	held at the end of the year	Increase or decrease in the number of Shares for the year			
WANG Changqing	Chairman of the Board, Executive Director and Chairman of Executive Committee	Male	June 1963	April 2018	Upon expiry	0	0	0	-	353.77	No
LI Min	Vice Chairman of the Board and Non-executive Director	Male	September 1976	May 2023	Upon expiry	0	0	0	-	0	Yes
WU Ruijin	Vice Chairman of the Board and Non-executive Director	Male	September 1964	April 2023	Upon expiry	0	0	0	-	0	No
ZOU Yingguang	Executive Director and Member of Executive Committee	Male	December 1970	November 2023	Upon expiry	0	0	0	-	28.41	No
YAN Xiaolei	Non-executive Director	Male	July 1975	May 2023	Upon expiry	0	0	0	-	0	Yes
ZHU Jia	Non-executive Director	Female	October 1982	April 2018	Upon expiry	0	0	0	-	0	Yes
YANG Dong	Non-executive Director	Male	July 1976	October 2021	Upon expiry	0	0	0	-	0	No
WANG Hua	Non-executive Director	Female	August 1976	June 2021	Upon expiry	0	0	0	-	0	No
PO Wai Kwong	Independent Non-executive Director	Male	January 1957	May 2021	Upon expiry	0	0	0	-	35.50	No
LAI Guanrong	Independent Non-executive Director	Male	December 1962	May 2021	Upon expiry	0	0	0	-	35.50	Yes
ZHANG Zheng	Independent Non-executive Director	Male	August 1972	September 2022	Upon expiry	0	0	0	-	35.50	No
WU Xi	Independent Non-executive Director	Male	November 1977	September 2022	Upon expiry	0	0	0	-	36.00	No
ZHENG Wei	Independent Non-executive Director	Male	March 1974	October 2023	Upon expiry	0	0	0	-	6.00	No
ZHOU Xiaoyu	Chairman of the Supervisory Committee	Male	June 1964	August 2021	Upon expiry	0	0	0	-	316.57	No
DONG Hongfu	Supervisor	Male	October 1968	May 2023	Upon expiry	0	0	0	-	0	Yes
AI Bo	Supervisor	Female	February 1971	April 2018	Upon expiry	0	0	0	-	0	No

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares			Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
						held at the beginning of the year	held at the end of the year	Increase or decrease in the number of Shares for the year			
WANG Xiaoguang	Supervisor	Male	March 1977	June 2022	Upon expiry	0	0	0	-	0	No
LIN Xuan	Employee Representative Supervisor	Female	February 1972	April 2018	Upon expiry	0	0	0	-	305.44	No
ZHAO Ming	Employee Representative Supervisor	Male	May 1971	April 2019	Upon expiry	0	0	0	-	303.72	No
ZHOU Zhigang	Member of Executive Committee	Male	May 1964	April 2018	Upon expiry	0	0	0	-	326.41	No
JIANG Yueqin	Member of Executive Committee	Male	December 1966	April 2018	Upon expiry	0	0	0	-	322.77	No
LI Tiesheng	Member of Executive Committee	Male	July 1971	April 2018	Upon expiry	0	0	0	-	252.29	No
WANG Guangxue	Member of Executive Committee and Secretary of the Board	Male	June 1972	April 2018	Upon expiry	0	0	0	-	346.93	No
ZHANG Xinfan	Member of Executive Committee	Male	December 1968	April 2018	Upon expiry	0	0	0	-	343.12	No
LIU Naisheng	Member of Executive Committee	Male	February 1971	April 2018	Upon expiry	0	0	0	-	227.13	No
HUANG Ling	Member of Executive Committee	Male	October 1976	April 2018	Upon expiry	0	0	0	-	371.57	No
DING Jianqiang	Member of Executive Committee and Chief Compliance Officer	Male	May 1973	April 2019	Upon expiry	0	0	0	-	296.52	No
XIAO Gang	Member of Executive Committee and Chief Information Officer	Male	June 1969	April 2019	Upon expiry	0	0	0	-	309.96	No
PENG Wende	Member of Executive Committee and Chief Risk Officer	Male	June 1966	July 2019	Upon expiry	0	0	0	-	333.85	No
WANG Xiaolin (Resigned)	Former Vice Chairman of the Board and Non-executive Director	Male	February 1963	July 2020	March 2023	0	0	0	-	0	No
YU Zhongfu (Resigned)	Former Vice Chairman of the Board and Non-executive Director	Male	November 1970	April 2018	March 2023	0	0	0	-	0	No
ZHANG Qin (Resigned)	Former Non-executive Director	Female	August 1970	April 2018	March 2023	0	0	0	-	0	No
ZHANG Wei (Resigned)	Former Non-executive Director	Female	October 1981	June 2021	April 2023	0	0	0	-	0	No

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Position	Gender	Date of birth	Commencement date of term of office	Expiry date of term of office	Number of Shares			Reasons for increase or decrease	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether to receive remuneration from related parties of the Company
						held at the beginning of the year	held at the end of the year	Increase or decrease in the number of Shares for the year			
ZHOU Chengyue (Resigned)	Former Independent Non-executive Director	Male	July 1958	September 2022	May 2023	0	0	0	-	0	No
LI Geping (Resigned)	Former Executive Director, General Manager, Member of Executive Committee and Chief Financial Officer	Male	November 1967	April 2018	June 2023	0	0	0	-	89.51	No
LU Ya (Resigned)	Former Member of Executive Committee and Chief Risk Officer	Female	February 1966	April 2019	March 2023	0	0	0	-	25.45	No
Total	/	/	/	/	/	<u>0</u>	<u>0</u>	<u>0</u>	/	<u>4,701.92</u>	/

Note 1: If the abovementioned persons hold multiple positions, the “term of office” are marked depending on holding the positions of Directors, Supervisors, or the senior management members for the first time.

Note 2: The total remuneration before tax of the Company’s executive Directors, the chairman of the Supervisory Committee, employee representative Supervisor and senior management listed in the above table includes: basic annual salary, effective annual salary (immediate spot distributed in 2023) and insurance benefits.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Main professional experience
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WANG Changqing

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

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

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

LI Min

Mr. LI Min (李岷) is the Vice Chairman of the Board and the non-executive Director of the Company. Mr. LI has been serving as a Director of the Company since May 2023, and the Vice Chairman of the Board of the Company since June 2023, and currently serves as the deputy general manager of Beijing Financial Holdings Group Limited as well as the chairman of the board of directors of Beijing Finance Big Data Co., Ltd. (北京金融大數據有限公司), the chairman of the board of directors of Beijing Municipal Administration & Communication Card Co., Ltd. and a director of Beijing International Data Exchange Co., Ltd. (北京國際大數據交易有限公司).

Mr. LI served as the deputy director of the sales management division of wealth management products in the personal finance business department, and the deputy general manager of the expert team division in the private banking department at Industrial and Commercial Bank of China Limited, the deputy general manager of the personal business department, the deputy general manager of the asset management department (presiding over the work), the general manager of the asset management department and the deputy president of Hua Xia Bank Co., Limited, and the head of the preparatory group and the chairman of the board of directors at Hua Xia Wealth Management Co., Ltd.

Mr. LI obtained a bachelor's degree in International Finance from Shanxi University of Finance and Economics and a master's degree in Agricultural Economic Management from China Agricultural University, and was qualified as an economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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WU Ruilin **Mr. WU Ruilin (武瑞林)** is the Vice Chairman of the Board and the non-executive Director of the Company. Mr. WU has been serving as a non-executive Director and the Vice Chairman of the Board of the Company since April 2023, and currently serves the external director of Central Huijin Investment Ltd.

Mr. WU served as the deputy chief of the price survey and statistics section of the survey and information division, the deputy chief of the financial institution management section of the Foreign Investment Management Office, the deputy director of the Foreign Investment Management Office, the deputy director of the Foreign Exchange Management Division (presiding over the work), and the deputy director of the Foreign Exchange Adjustment Center (presiding over the work) of Beijing Branch of the People's Bank of China, the deputy director of the General Affairs Department of the Information Center and the director of Planning Bureau of the State Administration of Foreign Exchange, the deputy director of the Human Resources Department (Internal Audit Department) of the State Administration of Foreign Exchange, the full-time deputy secretary of the Party Committee, and the secretary of the discipline inspection commission of the State Administration of Foreign Exchange of the Communist Party of China, the deputy director of Supervision and Inspection Department, and the deputy chief and second-level inspector of the Current Account Management Department of the State Administration of Foreign Exchange, and a director of China Jiayin Investment Limited.

Mr. WU obtained a postgraduate diploma with a major in economic management from the Party School of the Central Committee of C.P.C., and was qualified as an economist.

ZOU Yingguang **Mr. ZOU Yingguang (鄒迎光)** is a member of the Party Committee, an executive Director and a member of the Executive Committee of the Company. Mr. ZOU joined the Company in October 2023, and has been serving as an executive Director and a member of the Executive Committee since November 2023.

Mr. ZOU previously served as a surgeon of Xuanwu Hospital of Capital Medical University, business manager of the Beijing securities business department of Hainan Huayin International Trust Investment Corporation, manager of the institutional client section of the business department at South Haidian Road and senior business director of the bond business department of Huaxia Securities, assistant to general manager of the bonds business department and the chief executive of the fixed income department of CSC, a member of the Executive Committee of CSC, the chief executive of the fixed income department of CITIC Securities and an executive member of CITIC Securities.

Mr. ZOU obtained a bachelor's degree with a major in Clinical Medicine from Capital Medical University, a master's degree in Finance from Central University of Finance and Economics and an EMBA degree from China Europe International Business School.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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YAN Xiaolei **Mr. YAN Xiaolei (閔小雷)** is a non-executive Director of the Company. Mr. YAN has been serving as a Director of the Company since May 2023, and currently serves as the chief financial officer and chief investment officer of Beijing Financial Holdings Group Limited, and chairman of the board of directors of Shengxin Futures Co., Ltd.

Mr. YAN served as the secretary of the board of directors at BAIC Motor Corporation Limited, the director of securities and finance at Beijing Automotive Group Co., Ltd., a director of BAIC Motor Corporation Limited (a company listed on the Hong Kong Stock Exchange), a director of BAIC BluePark New Energy Technology Co., Ltd. (北汽藍谷新能源科技股份有限公司) (a company listed on the SSE), a director of Bohai Automotive Systems Co., Ltd. (渤海汽車系統股份有限公司) (a company listed on the SSE), chairman of the board of directors of Jingquan Private Equity Fund Management (Beijing) Co., Ltd. (璟泉私募基金管理(北京)有限公司) and a director of Beijing Jinkong Capital Co., Ltd. (北京金控資本有限公司).

Mr. YAN obtained a doctor's degree in Management Science majoring in Accounting from the Research Institute for Fiscal Science of the Ministry of Finance (currently known as Chinese Academy of Fiscal Sciences), had the title of senior economist, and was qualified as a Chinese certified public accountant and a chartered financial analyst (CFA).

ZHU Jia **Ms. ZHU Jia (朱佳)** is a non-executive Director of the Company. Ms. ZHU has been serving as a Director of the Company since April 2018, and currently serves as the assistant to the general manager of investment and merger and acquisition department of Beijing Financial Holdings Group, a director and the deputy general manager (presiding over the work) of Jingquan Private Equity Fund Management (Beijing) Co., Ltd. (璟泉私募基金管理(北京)有限公司), and a director of Jingquan International (Hong Kong) Co., Ltd. (璟泉國際(香港)有限公司).

Ms. ZHU worked at Beijing Branch of the Bank of East Asia (Hong Kong) (東亞銀行(香港)北京分行), and Beijing State-owned Capital Operation and Management Company Limited, and served as a director of Shengxin Futures Co., Ltd.

Ms. ZHU obtained a master's degree in Finance and Investment from the University of Exeter, the United Kingdom, and had the title of financial economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
YANG Dong	<p>Mr. YANG Dong (楊棟) is a non-executive Director of the Company. Mr. YANG has been serving as a Director of the Company since October 2021, and currently serves as the external director of Central Huijin Investment Ltd.</p> <p>Mr. YANG worked at Tianjin Branch of the People's Bank of China, Finance Research Institute of the People's Bank of China and other institutions, and successively served as the senior deputy manager of Banking Department, the director of ICBC Equity Management Office of Banking Institution Management Department I, and the director, senior manager and other positions of ICBC Equity Management Office of Equity Management Department I of Central Huijin Investment Ltd.</p> <p>Mr. YANG obtained a doctor's degree in Economics from Renmin University of China, and had the title of senior economist.</p>
WANG Hua	<p>Ms. WANG Hua (王華) is a non-executive Director of the Company. Ms. WANG has been serving as a Director of the Company since June 2021, and currently serves as the deputy general manager of the Finance Department, the deputy general manager of the Human Resources Department and the deputy director of the Party Committee Organization Department of CITIC Group Corporation, and a director of CITIC Urban Development & Operation Co., Ltd.</p> <p>Ms. WANG served as the director of the Tax Division of the Finance Department, the assistant to the general manager of the Finance Department and the director of the Tax Division, the deputy general manager of the Finance Department and the director of the Tax Division of CITIC Group Corporation, a director of CITIC Heavy Industries Co., Ltd. (a company listed on the SSE), a director of Zhonghai Trust Co., Ltd., and a director of China Agriculture Industry Development Fund Co., Ltd.</p> <p>Ms. WANG obtained a bachelor's degree and a master's degree in Accounting from Dongbei University of Finance & Economics.</p>
PO Wai Kwong	<p>Mr. PO Wai Kwong (浦偉光) is an independent non-executive Director of the Company. Mr. PO has been serving as an independent Director of the Company since May 2021, an independent director of Everbright Securities Company Limited (a company listed on the SSE and the Hong Kong Stock Exchange) since December 2020, and an independent director of Citibank (Hong Kong) Limited since July 2021, and currently also serves as a member of the Hang Seng Index Advisory Committee in Hong Kong.</p> <p>Mr. PO served as the senior director of the Securities and Futures Commission (證券及期貨事務監察委員會) of Hong Kong, the executive director of the Insurance Authority (保險業監管局) of Hong Kong and a member of International Advisory Council of the CSRC.</p> <p>Mr. PO obtained a bachelor's degree and a master's degree in Business Administration from the Chinese University of Hong Kong (香港中文大學), and was also an accountant.</p>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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LAI Guanrong **Mr. LAI Guanrong (賴觀榮)** is an independent non-executive Director of the Company. Mr. LAI has been serving as an independent Director of the Company since May 2021. In addition, Mr. LAI has also been serving as an independent director of Chinasoft International Limited (a company listed on Hong Kong Stock Exchange), an independent director of Dongxing Securities Co., Ltd. (a company listed on the SSE), and an independent director of New China Life Insurance Company Ltd. (a company listed on the SSE).

Mr. LAI served as the deputy general manager (presiding over the work) of Min Fa Security Limited Company (開發證券有限責任公司), the deputy chief officer of the office of Fujian Branch of People's Bank of China (中國人民銀行福建省分行), the general manager of Fujian Minnan Qiaoxiang Trust and Investment Company (福建省閩南僑鄉信託投資公司), the president of Huafu Securities Co., Ltd. (華福證券有限責任公司), the secretary of the Party Committee and president of Jiahe Life Insurance Co., Ltd. (嘉禾人壽保險股份有限公司), the vice chairman of ABC Life Insurance Co., Ltd. (農銀人壽保險股份有限公司), the chairman of the supervisory committee of Beijing Zhongguancun Science City Construction Holding Co., Ltd. (北京中關村科學城建設股份有限公司), the chief economist and member of the investment committee of Shenzhen CMAF Investment Management Co., Ltd. (深圳市遠致富海投資管理有限公司), an independent director of Xin Yuan Enterprises Group Limited (信源企業集團有限公司) (a company listed on Hong Kong Stock Exchange), and a director of China Sciences Industrial Group Holdings Co., Ltd. (中科實業集團(控股)有限公司).

Mr. LAI obtained a bachelor's degree in Economics from Xiamen University, a master's degree in Monetary Banking from the Graduate School of the People's Bank of China, and a doctor's degree in Economics from Xiamen University.

ZHANG Zheng **Mr. ZHANG Zheng (張嶢)** is an independent non-executive Director of the Company. Mr. ZHANG has been serving as an independent Director of the Company since September 2022, and currently serves as a professor and deputy dean of Guanghua School of Management of Peking University, and an independent director of CCB Trust Co., Ltd. and an independent director of Harbin Bank Co., Ltd. (a company listed on the Hong Kong Stock Exchange). Mr. ZHANG currently also serves as the director of National Centre for Financial Research at Peking University.

Mr. ZHANG served as an external supervisor of China Cinda Asset Management Co., Ltd. (a company listed on the Hong Kong Stock Exchange).

Mr. ZHANG obtained a bachelor's degree and a master's degree with a major in Applied Mathematics from Nankai University, and a doctor's degree in Finance from Peking University.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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WU Xi

Mr. WU Xi (吳溪) is an independent non-executive Director of the Company. Mr. WU has been serving as an independent Director of the Company since September 2022, and currently serves as a professor and dean of the School of Accountancy of Central University of Finance and Economics, as well as an external supervisor of Trust Mutual Life Insurance Company and an independent director of Dajia Insurance Group Co., Ltd. Mr. WU currently also serves as a member of the Industrial Talent Working Committee of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會行業人才工作委員會), and an executive director of the Council of the China Audit Society.

Mr. WU served as the assistant dean and deputy dean of the School of Accountancy of Central University of Finance and Economics, an independent director of China Publishing & Media Co., Ltd. (a company listed on the SSE) and an independent director of Henan Zhongfu Industrial Co., Ltd. (a company listed on the SSE).

Mr. WU obtained a bachelor's degree with a major in Accounting from Zhejiang Institute of Finance and Economics (currently known as Zhejiang University of Finance & Economics), and a master's degree and a doctor's degree with a major in Accounting from Central University of Finance and Economics.

ZHENG Wei

Mr. ZHENG Wei (鄭偉) is an independent non-executive Director of the Company. Mr. ZHENG has been serving as an independent Director of the Company since October 2023, and currently serves as a professor and director of department of risk management and insurance of School of Economics of Peking University, director of the China Center for Insurance and Social Security Research, Peking University, and concurrently serves as an independent director of Schroder Fund Management (China) Company Limited and an external supervisor of PICC Reinsurance Co., Ltd.

Mr. ZHENG served as an assistant director and associate director of department of risk management and insurance of School of Economics of Peking University, an independent director of New China Life Insurance Company Ltd. and an external supervisor of China CITIC Bank Corporation Limited.

Mr. ZHENG obtained a bachelor's degree, a master's degree and a doctor's degree in Economics from the School of Economics of Peking University.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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ZHOU Xiaoyu **Mr. ZHOU Xiaoyu (周笑予)** is the deputy secretary of the Party Committee and the Chairman of Supervisory Committee of the Company. Mr. ZHOU joined the Company in November 2005, and has been serving as the Chairman of Supervisory Committee since August 2021, and the chairman of supervisory committee of China Futures. Mr. ZHOU currently also serves as a member of self-discipline committee of the Securities Association of China.

Mr. ZHOU served as an engineer in Former Guangzhou Design Institute of Ministry of Light Industry, the executive deputy general manager in Shenzhen Branch, the general manager of the Dalian business department, the general manager of Shenyang Branch and the general manager of the brokerage business management headquarters of Huaxia Securities Co., Ltd., and the general manager of the Brokerage Business Management Department, the administrative head of the Treasury Operation Department, the administrative head of the Margin Financing and Securities Lending Business Department, the director of Party Committee Office, the administrative head of the Human Resources Department and a member of the Executive Committee of the Company.

Mr. ZHOU obtained a bachelor's degree in Engineering from Tianjin Institute of Light Industry and a master's degree in Engineering from South China University of Technology.

DONG Hongfu **Mr. DONG Hongfu (董洪福)** is a Supervisor of the Company. Mr. DONG has been serving as a Supervisor of the Company since May 2023, and currently serves as the general manager of the risk management department of Beijing Financial Holdings Group Limited.

Mr. DONG served as the deputy head of the human resources department at Beijing Capital International Airport Sub-branch of Beijing Branch of Bank of China, the manager of the audit department at Beijing Jing Hua Certified Public Accountants (北京京華會計師事務所), the cadre of the joint-stock commercial bank supervision division in the business management department at the People's Bank of China, the cadre and head of the foreign exchange inspection division in the Beijing foreign exchange management department at the State Administration of Foreign Exchange, the vice president of the Chuxiong Yi Autonomous Prefecture Central Sub-branch of the People's Bank of China, and the deputy head of the investigation and statistics division, the head of the financial stability division and the head of the legal affair division (financial consumers' rights and interests protection division) in the business management department at the People's Bank of China.

Mr. DONG obtained a doctor's degree with a major in Finance from Graduate School of Chinese Academy of Social Sciences, and was qualified as a senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name

Main professional experience

AI Bo

Ms. AI Bo (艾波) is a Supervisor of the Company. Ms. AI has been serving as a Supervisor of the Company since August 2016, and currently serves as the director of the Inspection Office of the Party Committee of China Investment Corporation.

Ms. AI worked at the former secretariat for confidential matters of the general office of the Ministry of Supervision, the former general supervision office under the Central Commission for Discipline Inspection, the former second discipline inspection office under the Central Commission for Discipline Inspection and other entities.

Ms. AI obtained a master's degree in Management from Kunming University of Science and Technology, and was qualified as a certified enterprise risk manager.

WANG

Xiaoguang

Mr. WANG Xiaoguang (王曉光) is a Supervisor of the Company. Mr. WANG has been serving as a Supervisor of the Company since June 2022, and currently serves as a director dispatched to China Jianyin Investment Limited by China Investment Corporation, a director of JIC Trust Co., Ltd. (中建投信託股份有限公司) and a director of Jiantou Holdings Co., Ltd. (建投控股有限責任公司).

Mr. WANG served as the director of the development statistics and audit bureau of the National Audit Office, and the head of the audit team of the office of the supervisory committee/the companies directly managed by internal audit department, the head of the audit team of the companies directly managed by the audit department and the head of the third team of the audit department of China Investment Corporation.

Mr. WANG obtained a bachelor's degree with a major in Accounting from Shanxi University, and was qualified as a senior auditor.

LIN Xuan

Ms. LIN Xuan (林煊) is a member of the Party Committee, an employee representative Supervisor and the administrative head of Human Resources Department of the Company. Ms. LIN joined the Company in November 2005, and has been serving as an employee representative Supervisor since April 2018, and the administrative head of Human Resources Department since January 2022. Ms. LIN currently also serves as a vice chairwoman of talent development committee of the Securities Association of China and a member of National Committee of Chinese Financial Workers' Union.

Ms. LIN served as the business director and assistant to general manager of the investment banking department and the merger and acquisition business department of Huaxia Securities Co., Ltd., and the assistant to general manager, director, executive director and managing director of Investment Banking Department, and the administrative head of Investment Banking Internal Inspection Department of the Company.

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

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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ZHAO Ming **Mr. ZHAO Ming (趙明)** is an employee representative Supervisor, the administrative head of Financial Planning Department and the administrative head of Treasury Department of the Company. Mr. ZHAO has been serving as the administrative head of Financial Planning Department and Treasury Operation Department (currently known as the Treasury Department) of the Company since July 2018, and an employee representative Supervisor since April 2019. In addition, he also serves as a supervisor of China Capital, a director of China Securities Investment and a supervisor of China Futures.

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

Mr. ZHAO obtained a bachelor's degree in Law from the People's Public Security University of China, a master's degree in Law from Southwest University of Political Science and Law, and a master's degree in Business Administration from China Europe International Business School, and was qualified as a lawyer and a certified public accountant.

ZHOU Zhigang **Mr. ZHOU Zhigang (周志綱)** is a member of Party Committee, and a member of the Executive Committee of the Company. Mr. ZHOU joined the Company in November 2005, and has been serving as a member of the Executive Committee since February 2009 as well as a director of China Futures. Mr. ZHOU currently also serves as a member of the Financing Business Committee of the Securities Association of China.

Mr. ZHOU served as the assistant director of the application software chamber of Institute of Computer Technology of East China, the deputy director of computer center and the director of the research and development center of Shanghai Wanguo Holdings Ltd., the chief engineer and the general manager of the E-commerce department of Huaxia Securities Co., Ltd., and the deputy general manager, the chairman of Brokerage Business Management Committee, the Chief Risk Officer and the Chief Compliance Officer of the Company.

Mr. ZHOU obtained a bachelor's degree in Science and a master's degree in Science from Fudan University, and a master's degree in Business Administration from China Europe International Business School, and was qualified as a senior engineer.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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JIANG Yueqin **Mr. JIANG Yueqin (蔣月勤)** is a member of the Party Committee and a member of the Executive Committee of the Company. Mr. JIANG joined the Company in January 2007, and has been serving as a member of the Executive Committee since May 2009. In addition, he also serves as the chairman of the board of directors and the chairman of the executive committee of China Securities International. Mr. JIANG currently also serves as a vice chairman of the Asset Management Association of China and a member of the asset management business committee of the Securities Association of China.

Mr. JIANG worked at Shenzhen Shekou Xinxin Software Company, and served as the deputy general manager of Shenzhen Branch, the general manager of trading department and the chief dealer of CITIC Securities Co., Ltd., the general manager of Changsheng Fund Management Co., Ltd., the assistant to general manager, the administrative head of Institutional Business Department and the administrative head of Asset Management Department of the Company, and the chairman of the board of directors of China Fund.

Mr. JIANG obtained a bachelor's degree in Engineering and a master's degree in Engineering from University of Electronic Science and Technology of China.

LI Tiesheng **Mr. LI Tiesheng (李鐵生)** is a member of the Executive Committee of the Company. Mr. LI joined the Company in June 2013, and has been serving as a member of the Executive Committee since June 2013. In addition, he also serves as the chairman of the board of directors of China Capital and a member of the Standing Committee of the Securities Association of China.

Mr. LI served as the business manager of the securities department and the futures department of China People's Insurance Trust and Investment Company, the general manager of Shenzhen Zhongbaoxin Financial Consultant Co. Ltd, the deputy general manager of Hong Kong Jiangnan Finance Company Limited, the deputy director of Great Wall Securities Co., Ltd., the general manager of New Jiangnan Investment Company Limited, and a member of Party Committee and the vice-president of Beijing Branch of China Merchants Bank Co., Ltd.

Mr. LI obtained a bachelor's degree in Engineering from Beijing Institute of Technology and a master's degree in Economics from Renmin University of China.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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**WANG
Guangxue**

Mr. WANG Guangxue (王廣學) is a member of the Executive Committee, the Secretary of the Board and the Administrative Head of the Executive Office of the Company. Mr. WANG joined the Company in November 2005, and has been serving as the Administrative Head of the Executive Office of the Company since November 2011, and a member of the Executive Committee and the Secretary of the Board since January and April 2014, respectively. In addition, he also serves as the chairman of the board of directors of China Futures and a director of China Securities International. Currently, Mr. WANG also served as a member of the Securities Industry Cultural Construction Committee of Securities Association of China, a member of the Council of China Futures Association, the Chairman of Fixed Income Operating Committee of the Securities Association of Beijing, a member of Supervisory Committee of Shanghai Futures Exchange and a member (Chairman) of the Information Technology Application Committee of the 4th Board of Directors of Dalian Commodity Exchange.

Mr. WANG served as a staff of the foreign economic relations department of planning committee of Liyang City, Jiangsu Province (currently known as the development and reform commission of Liyang City), the business manager, senior business director and assistant to general manager of the investment banking department of Huaxia Securities co., Ltd., and the assistant to general manager and deputy general manager of the Investment Banking Department of the Company.

Mr. WANG obtained a bachelor's degree in Science from Ocean University of Qingdao (currently known as Ocean University of China), and a master's degree in Economics and a doctor's degree in Economics from Fudan University, and had the title of senior economist.

ZHANG Xinfan

Mr. ZHANG Xinfan (張昕帆) is a member of the Executive Committee, the Chairman of the Brokerage Business Management Committee and the Co-Chairman of the Institutional Business Committee of the Company. Mr. ZHANG joined the Company in November 2005, and has been serving as a member of the Executive Committee since January 2014, the Chairman of the Brokerage Business Management Committee since April 2014, and the Co-Chairman of the Institutional Business Committee since September 2018. In addition, he also serves as a director of China Futures, a member of the Committee of Securities Brokerage of the Securities Association of China, the vice chairman of Wealth Management Committee of the Securities Association of Beijing, and the vice chairman of the Self-discipline Committee of the SSE.

Mr. ZHANG served as the director of securities business department of Dalian Branch of Industrial and Commercial Bank of China Limited, the manager of Dalian securities business department, the deputy general manager of Shenyang Branch and the deputy general manager of the brokerage business management headquarters of Huaxia Securities Co., Ltd., and the deputy general manager of the Brokerage Business Management Department, the manager of the Securities Business Department of Beijing Dongzhimen South Street and the Vice Chairman of the Brokerage Business Management Committee of the Company.

Mr. ZHANG obtained a bachelor's degree in Economics from Dongbei University of Finance and Economics, and a master's degree in Business Administration from Peking University, and had the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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LIU Naisheng **Mr. LIU Naisheng (劉乃生)** is a member of the Executive Committee, and the Chairman of the Investment Banking Business Management Committee of the Company. Mr. LIU joined the Company in March 2006, and has been serving as a member of the Executive Committee since January 2014, and the Chairman of the Investment Banking Business Management Committee since January 2021. In addition, he also serves as a director of China Securities International, a director of Beijing Equity Trading Center Co., Ltd. and a director of Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd. (formerly Zhongguancun Equity Trading Service Group Co., Ltd.). Mr. LIU currently also serves as the vice chairman of Investment Banking Committee of the Securities Association of China, the vice chairman of Investment Banking Quality Control Committee of the Securities Association of Beijing, a member of the Mergers and Acquisitions Financing Professional Committee of the China Association for Public Companies and the vice chairman of the listing training committee of SZSE.

Mr. LIU worked at China Xinxing Corporation (Group), China Science and Technology International Trust and Investment Co., Ltd. and China Science and Technology Securities Co., Ltd., and served as the administrative head of the Investment Banking Department and the director of the Investment Banking Business Committee of the Company.

Mr. LIU obtained a bachelor's degree in Engineering from Beijing Institute of Machinery (currently known as Beijing Information Science & Technology University) and a master's degree in Business Administration from Tsinghua University, and was qualified as a sponsor representative of A Shares.

HUANG Ling **Mr. HUANG Ling (黃凌)** is a member of the Executive Committee and the Chairman of the Institutional Business Committee of the Company. Mr. HUANG joined the Company in November 2005, and has been serving as a member of the Executive Committee from January 2014, the Chairman of the Institutional Business Committee from September 2018, and the Co-Chairman of the Investment Banking Business Management Committee from January 2021. In addition, he also serves as the chairman of the board of directors of China Fund and a director of China Securities International. Mr. HUANG has also been serving as the vice chairman of the Green Development Committee of Securities Association of China, and a member of the Asset Management Business Committee of the Securities Association of Beijing.

Mr. HUANG served as a senior business director of the general management department of Huaxia Securities Co., Ltd., and the assistant to the general manager of the Debt Business Department, the administrative head of the Bond Underwriting Department, and the Co-Chairman of the Investment Banking Business Committee of the Company.

Mr. HUANG obtained a bachelor's degree in Economics from China Institute of Finance, a master's degree in Economics from the Graduate School of the People's Bank of China (currently known as PBC School of Finance, Tsinghua University), and a doctor's degree in Economics from Hunan University, and had the title of senior economist.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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DING Jianqiang **Mr. DING Jianqiang (丁建強)** is a member of Executive Committee, the Chief Compliance Officer and the administrative head of the Legal and Compliance Department of the Company. Mr. DING joined the Company in November 2005, and has been serving as the administrative head of the Legal and Compliance Department since January 2007, a member of Executive Committee since April 2019, and the Chief Compliance Officer since May 2019. Mr. DING also serves as a member of Securities Compliance Management Committee of Securities Association of China, a member of Securities Industry Compliance Committee of the Securities Association of Beijing, and the vice chairman of Special Committee on Investor Education and Protection of SSE.

Mr. DING served as the assistant to the general manager of legal affairs department of Huaxia Securities Co., Ltd., and the assistant to the general manager of the Legal and Compliance Department and the Chief Lawyer of the Company.

Mr. DING obtained a bachelor's degree in Law from China University of Political Science and Law, and was qualified as a lawyer.

XIAO Gang **Mr. XIAO Gang (肖綱)** is a member of Executive Committee, the Chief Information Officer and the administrative head of the IT Department of the Company. Mr. XIAO joined the Company in November 2005, and has been serving as the administrative head of the IT Department since August 2012, and a member of Executive Committee and the Chief Information Officer since April 2019. Mr. XIAO currently also served as a member of Information Technology Committee of the Securities Association of China, the Chairman of the Fintech and Information Technology Committee of the Securities Association of Beijing, an expert in Fintech Research and Development Center (Shenzhen) of Securities and Futures Industry of SZSE, and a member of WG22 and WG5 Working Groups and a chief expert of WG43 Working Group of Securities Sub-committee of China Financial Standardization Technical Committee.

Mr. XIAO worked at Beijing Kangtaike Electronic Technology Co., Ltd. (北京康泰克電子技術有限公司), and served as a senior engineer of Computer Center of Huaxia Securities Co., Ltd., and a senior engineer and deputy general manager of IT Department of the Company.

Mr. XIAO obtained a bachelor's degree in Computer Application from Beijing Union University, and had the professional qualification as an engineer.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Main professional experience
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PENG Wende **Mr. PENG Wende (彭文德)** is a member of the Executive Committee, the Chief Risk Officer and the administrative head of the Risk Management Department of the Company. Mr. PENG joined the Company in November 2005, and has been serving as a member of the Executive Committee of the Company since July 2019, the administrative head of the Risk Management Department since February 2023 and the Chief Risk Officer since March 2023. In addition, he also serves as a supervisor of China Securities Investment.

Mr. PENG served as the head of engineering department of Shine Dew Industrial Limited (鑫達實業有限公司), the deputy general manager of Guangzhou Branch, the general manager of Beijing Sanlihe Securities Business Department and the general manager of Chongqing Branch of Huaxia Securities Co., Ltd., the general manager of Southwest Management Headquarters of the Company, the chairman of the board of directors of China Futures, and a director, the general manager and the chairman of the Executive Committee of China Securities International.

Mr. PENG obtained a bachelor's degree in Engineering from Huazhong University of Science and Technology, a master's degree in Management Engineering from South China University of Technology, and a doctor's degree with a major in Enterprise Management from Sun Yat-sen University.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

(I) Positions in the Shareholders

Name	Name of the Shareholders	Positions held in the Shareholders	Commencement date of term of office	Expiry date of term of office
LI Min	Beijing Financial Holdings Group	Deputy General Manager	February 2021	Until expiry
WU Ruilin	Central Huijin	External Director	October 2019	Until expiry
YAN Xiaolei	Beijing Financial Holdings Group	Chief Financial Officer and Chief Investment Officer	July 2020	Until expiry
ZHU Jia	Beijing Financial Holdings Group	Assistant to the General Manager of Investment and Merger and Acquisition Department	April 2019	Until expiry
YANG Dong	Central Huijin	External Director	October 2021	Until expiry
DONG Hongfu	Beijing Financial Holdings Group	General Manager of the Risk Management Department	September 2019	Until expiry
ZHANG Wei (Resigned)	Central Huijin	Head of the Office of Direct-managed Corporation Leading Group/the Equity Management Department II	March 2020	Until expiry
WANG Xiaolin (Resigned)	Central Huijin	External Director	June 2018	Until expiry
Explanations on positions in the Shareholders		Nil		

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Positions in Other Entities

Name	Name of other entities	Positions held in other entities	Commencement date of term of office	Expiry date of term of office
WANG Hua	CITIC Group	Deputy General Manager of the Finance Department, the Deputy General Manager of the Human Resources Department and the Deputy Director of the Party Committee Organization Department	October 2020	Until expiry
ZHANG Zheng	Peking University	Professor and Deputy Dean of Guanghua School of Management	January 2020	Until expiry
WU Xi	Central University of Finance and Economics	Professor and Dean of School of Accountancy	September 2019	Until expiry
ZHENG Wei	Peking University	Professor and Director of Department of Risk Management and Insurance of School of Economics	September 2010	Until expiry
AI Bo	CIC	Director of the Inspection Office of the Party Committee	June 2020	Until expiry
WANG Xiaoguang	CIC	External Director	December 2022	Until expiry
YU Zhongfu (Resigned)	BSCOMC	Deputy General Manager	May 2009	Until expiry
ZHANG Qin (Resigned)	BSCOMC	Assistant to General Manager	July 2016	Until expiry

Explanations on positions in other entities Those who only serve as independent non-executive directors or external supervisors in other entities are not listed.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

Name	Positions held	Changes	Reason
LI Min	Vice Chairman of the Board and Non-executive Director	Elected	Supplemented
WU Ruilin	Vice Chairman of the Board and Non-executive Director	Elected	Supplemented
ZOU Yingguang	Executive Director and Member of Executive Committee	Elected	Supplemented
YAN Xiaolei	Non-executive Director	Elected	Supplemented
ZHENG Wei	Independent Non-executive Director	Elected	Supplemented
DONG Hongfu	Supervisor	Elected	Supplemented
YU Zhongfu	Vice Chairman of the Board and Non-executive Director	Resigned	Work arrangement
WANG Xiaolin	Vice Chairman of the Board and Non-executive Director	Resigned	Age concern
ZHANG Qin	Non-executive Director	Resigned	Work arrangement
ZHANG Wei	Non-executive Director	Resigned	Work arrangement
LI Geping	Executive Director, General Manager, Member of Executive Committee and Chief Financial Officer	Resigned	Personal reason
ZHOU Chengyue	Independent Non-executive Director	Resigned	Personal reason
LU Ya	Member of Executive Committee and Chief Risk Officer	Resigned	Age concern

IV. RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

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

(I) Performance of Duties by Directors and Supervisors

In 2023, in accordance with the provisions under the domestic and overseas laws and regulations, regulatory requirements and the Articles of Association, all Directors of the Company diligently and responsibly performed their responsibilities and obligations in reviewing the issues of the Board and special committees under the Board carefully, provided valuable opinions and recommendations on strategic and development planning, governance system, business development, risk management and compliance management and other aspects, earnestly safeguarded the interests of Shareholders and promoted sustainable and healthy development of the Company.

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

In 2023, the Supervisors of the Company strictly complied with the relevant requirements such as the Company Law and the Articles of Association, earnestly performed their duties of supervision, participated in the approval of significant decisions of the Company, regularly investigated the operating status of the Company and its business operations, and effectively supervised the performance of duties by the Directors and the executive management team of the Company, so as to actively safeguard the interests of Shareholders.

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

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Performance of Duties by Senior Management

In 2023, the executive management of the Company comprehensively implemented all resolutions and requirements of the Board, insisted on a strategy of balanced development of light and heavy asset businesses, online and offline businesses, domestic and overseas businesses, as well as conventional and innovative businesses to continue to utilize the synergy among business lines and further strengthen the business layout in accordance with development trend in the industry and changes in operating environment, and proactively made suggestions for improvement and optimization in relation to certain major issues affecting the development of the Company, achieving positive results.

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

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

VI. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Decision-making Procedures in Relation to Remuneration of Directors, Supervisors and Senior Management

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

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Basis for Determination of the Remuneration of Directors, Supervisors and Senior Management

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

(III) Actual Payment of the Remuneration of Directors, Supervisors and Senior Management

According to the requirements for establishing a stable remuneration system, the Company implemented a performance-based remuneration deferred payment mechanism for executive Directors, chairman of the Supervisory Committee, employee representative Supervisors and senior management. In 2023, the deferred remuneration amounts for the years before 2023 distributed to the above persons were: RMB0.9726 million to WANG Changqing, RMB1.4053 million to ZHOU Xiaoyu, RMB1.357 million to LIN Xuan, RMB1.21 million to ZHAO Ming, RMB1.4019 million to ZHOU Zhigang, RMB1.4035 million to JIANG Yueqin, RMB0.9969 million to LI Tiesheng, RMB2.0004 million to WANG Guangxue, RMB1.6457 million to ZHANG Xinfan, RMB1.7543 million to LIU Naisheng, RMB2.0006 million to HUANG Ling, RMB1.4292 million to DING Jianqiang, RMB1.3933 million to XIAO Gang, RMB1.7728 million to PENG Wende, RMB1.3674 million to LI Geping, and RMB1.3962 million to LU Ya.

(IV) Aggregate Remuneration Actually Received by All Directors, Supervisors and Senior Management as of the end of the Reporting Period

Please refer to the relevant contents in the Annex "Independent Auditor's Report and Notes to the Consolidated Financial Statements" of this annual report.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

VII. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

As of the end of the Reporting Period, the Group had a total of 13,901 employees (including labor outsourcing employees), specific composition of which was as follows:

(I) Employees

Number of incumbent employees of the parent company	12,496
Number of incumbent employees of major subsidiaries	1,405
Total number of incumbent employees	13,901
Number of resigned and retired employees for whom the parent company and major subsidiaries were required to undertake the expenses	411

Professional Composition

Categories of professional composition	Number of employees by professional composition
Business employees	11,470
Information technology employees	1,158
Financial employees	313
Administration employees	116
Others	844
Total	<u>13,901</u>

Education Level

Categories of education level	Number of employees (person)
Doctor's degree	127
Master's degree	6,247
Bachelor's degree	6,015
College and below	1,512
Total	<u>13,901</u>

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

(II) Remuneration Policies

The Company has established a sound internal human resource management system in compliance with the provisions of the PRC's laws in relation to, among others, labor contracts and labor protections, formulated various rules and policies in relation to remunerations, positions and grades, performance assessments, benefits and holidays, etc., and stringently implemented such rules and policies, so as to effectively protect the employees' interest in various aspects such as labor protection, working environment, wages payment, social insurance, healthcare and vacation. The Company has carried through the principle of marketization to determine the remuneration standard, and employees' remuneration includes fixed salaries, annual bonuses and insurance benefits. Fixed salaries are determined according to the positions and grades, and the standard of positions and grades is determined taking overall consideration of factors such as post responsibilities, qualification, working capability, professional knowledge and experience of employees. Annual bonuses are determined comprehensively according to the strategy implementation, result performance, comprehensive assessment level, business integrity evaluation, etc. of employees in the corresponding year, and are fully associated with their post value, compliance management and risk control capabilities. The Company has implemented the concept of stable operation and sustainable development, established a complete and stable remuneration management system, and set up a remuneration deferred payment mechanism, so as to avoid excessive incentives and short-term incentives. The Company has established a comprehensive benefit protection system, and the statutory benefits are paid in accordance with the contents and standards as stipulated by the state; the Company's benefits cover various aspects, including replenishment of medical insurance, enterprise annuity, paid leave and medical examination.

(III) Training Program

According to its business strategy, the Company continuously improved the multi-level talent cultivation system with the "ladder of training for the growth of employees" as its core, attached great importance to strengthening the targeted talent cultivation, actively promoted the exchange and cultivation of cadres and talents, enhanced independent hematopoietic capacity, and focused on building six main talent cultivating programs including "lighthouses", "long voyages", "sunglows", "torches", "stars" and "climbing the peak", so as to provide special cultivation for the Company's middle-level and above cadres, heads of the branches, the echelon of outstanding young cadres and management talents, management trainees and professionals in key fields.

1. Carried out the "Lighthouse Program" for middle-level and above cadres in the Company to strengthen their improvement in aspects such as Party spirit, theoretical study, strategic thinking, business awareness, leadership and business collaboration.
2. Carried out the "Long Voyage Program" for the heads of the branches, including organizing "Pilot Class" for the general managers of the branches, "Continued Sailing Class" and "Cruising Class" for business department managers of different seniors, and "Set Sailing Class" for newly hired business department managers, to help the heads of the branches improve their compliant business awareness and master advanced management concepts.

SECTION 8 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

3. Classified and cultivated outstanding young cadres. The Company carried out the “Sunglow Program” for the management talent echelons in various business lines at the headquarters, and the “Torch Program” for outstanding young cadres in branches, so as to strengthen their political literacy as well as ideal and belief education, enhance their political discipline and political rule awareness, help young cadres continue to arm their minds with innovative theories of the Party, enhance their political judgment and sensitivity, strengthen strategic execution, establish the concept of overall situation and systematic thinking, effectively solve management problems and fulfill management responsibilities.
4. Carried out the “Climbing the Peak Program” for professional talents. The Company promoted the cultivation of digital talents and held lectures on digital transformation, financial science and technology general education classes, data analysis and product thinking practice training camps; launched special cultivation for industry research talents in primary market, and continued to advance the grass-roots trainings and advanced trainings of investment research talents in secondary market; held two series of trainings of “Entering the Hong Kong Capital Market” and “Cross Border Business Communication and Cross-cultural Exchange” to help broaden employees’ international perspective, enhance overseas business expansion capabilities, and promote integrated business development; organized the training camp for managers of institutional customers to cultivate versatile institutional sales talents; paid attention to professional training for talents of investment banking projects.
5. Attached great importance to the promotion and implementation of industry cultural concepts and corporate cultural brands, compliant practice education, uncorrupted practice education, and information security education for all employees, and regularly strengthened their ideological understanding and ability enhancement.
6. Attached great importance to campus recruitment and provided working and interning opportunities for various outstanding graduates and school students. During the Reporting Period, the Company provided over 3,000 internship positions for on-campus students, recruited over 600 fresh graduates, provided nearly 64 hours of pre-job online courses, and organized centralized induction trainings for new employees in a unified manner.

(IV) Information of Securities Brokers

As of the end of 2023, a total of 16 business departments of the Company implemented the system of securities brokers, and there were 49 brokers in total who obtained practicing qualifications for securities brokers as reviewed and approved by the Securities Association of China.

SECTION 9 CORPORATE GOVERNANCE REPORT

I. OVERVIEW OF CORPORATE GOVERNANCE

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

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

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

During the Reporting Period, the governance of the Company complied with the provisions of laws, regulations and normative documents, and met the requirements from the regulatory authorities and stock exchanges.

II. DEALING IN SECURITIES BY DIRECTORS AND SUPERVISORS

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

SECTION 9 CORPORATE GOVERNANCE REPORT

III. SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

(I) Rights of Shareholders' General Meetings and Shareholders

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

(II) Overview of Shareholders' General Meetings

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

Session	Date of convening	Query index of the designated website for publishing resolutions	Date of disclosure for publishing resolutions
2023 First Extraordinary General Meeting	April 4, 2023	www.sse.com.cn www.hkexnews.hk www.csc108.com	April 5, 2023
2023 Second Extraordinary General Meeting	May 30, 2023	www.sse.com.cn www.hkexnews.hk www.csc108.com	May 31, 2023
2022 Annual General Meeting	June 29, 2023	www.sse.com.cn www.hkexnews.hk www.csc108.com	June 30, 2023
2023 Third Extraordinary General Meeting	October 10, 2023	www.sse.com.cn www.hkexnews.hk www.csc108.com	October 11, 2023
2023 Fourth Extraordinary General Meeting	November 30, 2023	www.sse.com.cn www.hkexnews.hk www.csc108.com	December 1, 2023

On April 4, 2023, the 2023 First Extraordinary General Meeting of the Company considered and approved the Resolution on General Mandate to Issue Onshore and Offshore Debt Financing Instruments and the Resolution on Election of Mr. WU Ruilin as a Non-Executive Director of the Company.

On May 30, 2023, the 2023 Second Extraordinary General Meeting of the Company considered and approved the Resolution on Election of Non-executive Directors of the Company and the Resolution on Election of Mr. DONG Hongfu as a Supervisor of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

On June 29, 2023, the 2022 Annual General Meeting of the Company considered and approved resolutions including the Resolution on the 2022 Work Report of the Board of Directors of the Company, the Resolution on the 2022 Work Report of the Supervisory Committee of the Company, the Resolution on the 2022 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution Plan of the Company in 2022, the Resolution on the 2022 Annual Report of the Company, the Resolution on the Expected Daily Related Party Transactions/Continuing Connected Transactions of the Company in 2023, the Resolution on Entering into the Securities and Financial Products Transactions and Services Framework Agreement by the Company with Beijing Financial Holdings Group and the Resolution on Appointment of 2023 Accounting Firms of the Company, and reviewed the 2022 Work Report of Independent Non-Executive Directors of the Company.

On October 10, 2023, the 2023 Third Extraordinary General Meeting of the Company considered and approved the Resolution on Election of Mr. ZHENG Wei as an Independent Non-executive Director of the Company.

On November 30, 2023, the 2023 Fourth Extraordinary General Meeting of the Company considered and approved the Resolution on Election of Mr. ZOU Yingguang as an Executive Director of the Company.

(III) Attendances of Shareholders' General Meetings by Directors

Name of Director	Attendances of Shareholders' General Meetings Actual attendance
WANG Changqing	5/5
LI Min	3/3
WU Ruilin	4/4
ZOU Yingguang	0/0
YAN Xiaolei	3/3
ZHU Jia	5/5
YANG Dong	5/5
WANG Hua	5/5
PO Wai Kwong	5/5
LAI Guanrong	5/5
ZHANG Zheng	5/5
WU Xi	5/5
ZHENG Wei	1/1
WANG Xiaolin (Resigned)	0/0
YU Zhongfu (Resigned)	0/0
ZHANG Qin (Resigned)	0/0
ZHANG Wei (Resigned)	1/1
ZHOU Chengyue (Resigned)	1/1
LI Geping (Resigned)	2/2
Shareholders' general meetings convened during the year	5

Note: "attendances" include on-site attendance and communication attendance. "Actual attendance" shall be listed in the form of "actual attendance/scheduled attendance".

IV. BOARD AND BOARD MEETINGS

(I) Composition of the Board

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

As of the end of the Reporting Period, the Board of Directors of the Company comprised 13 Directors, including two executive Directors (Mr. WANG Changqing and Mr. ZOU Yingguang), six non-executive Directors (Mr. LI Min, Mr. WU Ruilin, Mr. YAN Xiaolei, Ms. ZHU Jia, Mr. YANG Dong and Ms. WANG Hua) and five independent non-executive Directors (Mr. PO Wai Kwong, Mr. LAI Guanrong, Mr. ZHANG Zheng, Mr. WU Xi and Mr. ZHENG Wei), of which the number of independent non-executive Directors exceeded one-third of the total number of Directors. For the resignation and new appointment of Directors during the Reporting Period, please refer to "Section 8 Directors, Supervisors, Senior Management and Employees – III. Changes in Directors, Supervisors and Senior Management of the Company" of this annual report.

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

(II) Duties and Powers of the Board

In accordance with the provisions of the Articles of Association, the Board of the Company shall exercise the following duties and powers: (1) to convene the Shareholders' general meetings and submit work report to the Shareholders' general meetings; (2) to implement the resolutions of the Shareholders' general meetings; (3) to decide on the operation plan and investment scheme of the Company; (4) to determine the compliance management objectives of the Company, assume responsibility for the effectiveness of compliance management of the Company and perform the corresponding duties of compliance management; (5) to prepare the budget and final financial accounts plan of the Company; (6) to prepare the profit distribution plan and the loss recovery plan; (7) to prepare the plan for the Company to increase or reduce its registered capital, issuance of corporate bonds or other securities and listing plans; (8) to prepare plans of the Company with respect to mergers, divisions, dissolution or changes of the form of the Company; (9) to prepare plans of the Company with respect to material acquisitions and acquisition of the Company shares; (10) to decide to appoint or remove the General Manager, the Chief Compliance Officer, the Chief Risk Officer and the Secretary of the Board of the Company nominated by the Chairman of the Board or special committees under the Board and decide the remunerations and rewards and punishments thereof; to appoint or remove the Chief Financial Officer, Chief Information

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Officer, members of the Executive Committee and other senior management members nominated by the Chairman of the Board, special committees under the Board or the General Manager, and decide the remunerations and rewards and punishments thereof; (11) to decide on the establishment of the internal management organizations of the Company; (12) to determine the composition of special committees under the Board, and the chairman (convener) of each special committee under the Board; (13) to establish a basic management system of the Company; (14) to prepare plans to amend the Articles of Association of the Company; (15) to file an application for bankruptcy on behalf of the Company; (16) to prepare plans of the Company with respect to material external investments, material assets acquisition and disposal, material guarantees and material related party transactions; (17) to consider and approve the external investment matters that do not satisfy the approval authority of the Shareholders' general meeting as prescribed in the Articles of Association of the Company; (18) to consider and approve the assets acquisition and disposal matters that do not satisfy the approval authority of the Shareholders' general meeting as prescribed in the Articles of Association of the Company; (19) to consider and approve the related party transactions that should be considered and approved by the Board as required by laws, regulations and the listing rules of the place where the Company's shares are listed; (20) to consider and approve the external donation matters of the Company with an accumulative donation amount not exceeding RMB twenty five million (RMB25,000,000) (inclusive) in one financial year; (21) to decide on the Company's external investments, acquisition and disposal of assets, pledge of assets, external guarantee matters, trust wealth management and other matters within the scope of authorization by the Shareholders' general meeting; (22) to decide on mergers, divisions, establishments or revocations of domestic branches; (23) to manage the information disclosure matters of the Company; (24) to propose to the Shareholders' general meeting with respect to the engagement or replacement of the audit firms to audit the Company; (25) to receive the work report of the General Manager of the Company and examine his/her work; (26) to guide and urge the Company to strengthen cultural construction, establish and improve the cultural concept system that can effectively support the Company's strategy, and realize the integrated development of both the strategy and the culture of the Company; (27) other duties and powers conferred by laws, administrative regulations, departmental rules, normative documents, listing rules of the place where the Company is listed or the Articles of Association of the Company.

During the Reporting Period, all Directors of the Company responsibly, diligently and faithfully performed their obligations, responsibilities and duties as Directors. The independent non-executive Directors continued to possess the independence required by relevant rules, and gave full play to their roles in participating in the decision-making, supervision and balance, and professional consultation in the Board, so as to safeguard the overall interests of listed companies, and the legitimate rights and interests of minority Shareholders.

(III) Operation of the Board

During the Reporting Period, the Board of the Company standardized its operation in strict compliance with laws and regulations, the Listing Rules, the Articles of Association and the Rules of Procedures for Board of Directors of the Company. Convening and holding procedures, voting procedures and other matters of the Board meetings complied with abovementioned requirements, and resolutions made were legal and valid.

(IV) Convening of Board Meetings

In 2023, the Company convened a total of 11 Board meetings, the details of which were as follows:

On February 10, 2023, the 48th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on General Mandate to Issue Onshore and Offshore Debt Financing Instruments and the Resolution on Convening the Extraordinary General Meeting of the Company.

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On March 9, 2023, the 49th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on Resignation of Ms. LU Ya as a Senior Management Member of the Company, the Resolution on Appointment of Mr. PENG Wende as the Chief Risk Officer of the Company, the Resolution on the Additional Appointment of Directors of the Company, the Resolution on Authorization of Establishments, Mergers, Divisions and Revocations of Domestic Securities Business Departments and the Resolution on the 2022 Appraisal of the Chief Compliance Officer of the Company, and heard the Report on Issuance of Debt Financing Instruments of the Company in 2022 and the Report related to the Use of Increased Capital Contribution of China Capital Management Co., Ltd in 2022.

On March 30, 2023, the 50th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2022 Operation Report of the Executive Management of the Company, the Resolution on the 2022 Work Report of the Board of Directors of the Company, the Resolution on the 2022 Work Report of Independent Non-Executive Directors of the Company, the Resolution on the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2022, the Resolution on the 2022 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution Plan of the Company in 2022, the Resolution on the 2022 Annual Report of the Company, the Resolution on the 2022 Risk Report of the Company, the Resolution on the 2022 Compliance Report of the Company, the Resolution on the 2022 Anti-Money Laundering Work Report of the Company, the Resolution on the 2022 Internal Control Evaluation Report of the Company, the Resolution on the 2022 Social Responsibility & Environmental, Social and Governance (ESG) Report of the Company, the Resolution on the 2022 Special Report on Information Technology Management of the Company, the Resolution on the 2023 Risk Management Policies of the Company, the Resolution on the 2023 Anti-Money Laundering Work Plan of the Company, the Resolution on the Additional Appointment of Directors of the Company, the Resolution on Adjustment to the External Investment Matters and the Resolution on Convening the Annual General Meeting of the Company, and heard the Work Report on the Protection of Investors' Rights and Interests of the Company in 2022.

On April 21, 2023, the 51st meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the Election of Vice Chairman of the Company, the Resolution on the Additional Appointment of Members to the Special Committees of the Board of Directors of the Company, the Resolution on the Establishment of a Special Fund for Compensation in Advance on the Event in relation to Amethystum Storage and Application of the Rules for the Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement and the Resolution on Convening the Extraordinary General Meeting of the Company.

On April 27, 2023, the 52nd meeting of the second session of the Board of Directors of the Company considered and approved the Resolution on the 2023 First Quarterly Report of the Company.

On May 29, 2023, the 53rd meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2023 Work Plan of the Company, the Resolution on the 2023 Financial Plan of the Company, the Resolution on the Expected Daily Related Party Transactions/Continuing Connected Transactions of the Company in 2023, the Resolution on Entering into the Securities and Financial Products Transactions and Services Framework Agreement by the Company with Beijing Financial Holdings Group, the Resolution on Appointment of 2023 Accounting Firms of the Company, the Resolution on the Increase in Capital Contribution to China Fund Management Co., Ltd. and the Resolution on Amendments to the Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of the Company.

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On June 21, 2023, the 54th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the Election of Vice Chairman of the Company, the Resolution on the Additional Appointment of Members to the Special Committees of the Board of Directors of the Company and the Resolution on Changes in Senior Management of the Company.

On August 30, 2023, the 55th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2023 Semi-annual Report of the Company, the Resolution on the Total External Donations of the Company in 2023, the Resolution on Amendments to the Company's System Management Measures, the Resolution on Formulation of the Company's Integrity Management Measures, the Resolution on the Construction Plan of the Company's Money Laundering Risk Management Culture, the Resolution on Nomination of Candidates for Independent Non-executive Directors of the Company, the Resolution on Joint Investment in Related Party/Connected Transactions between Wholly-owned Subsidiaries and Related/Connected Parties and the Resolution on Convening the Extraordinary General Meeting of the Company, and heard the 2023 Interim Risk Management Work Report of the Company, the 2023 Interim Compliance Management Work Report of the Company and the 2023 Interim Anti-Money Laundering Compliance Management Work Report of the Company.

On October 26, 2023, the 56th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the 2023 Third Quarterly Report of the Company and the Resolution on the Additional Appointment of Members to the Special Committees of the Board of Directors of the Company.

On November 9, 2023, the 57th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on the Additional Appointment of Directors and Members to the Special Committees of the Board of Directors of the Company, the Resolution on Appointment of Members of the Company's Executive Committee and the Resolution on Convening the Extraordinary General Meeting of the Company.

On December 20, 2023, the 58th meeting of the second session of the Board of Directors of the Company considered and approved resolutions including the Resolution on Formulation of the Management Measures for the Company's Strategic Development Plan (Trial), the Resolution on Amendments to the Management Measures for the Company's Reputation Risk and the Resolution on the Joint Establishment of Jinjian Beijiao Fund Related Party/Connected Transactions between Wholly-owned Subsidiaries and Related/Connected Parties.

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(V) Attendances of Board Meetings by Directors

Name of Director	Whether Independent Director or not	Scheduled attendance at Board meetings for the year	Attendances of Board Meeting				Whether the Director failed to attend two consecutive meetings in person or not
			Attendance in person	Attendance by way of telecommunication	Attendance by proxy	Absence	
WANG Changqing	No	11	10	1	1	0	No
LI Min	No	5	4	4	1	0	No
WU Ruilin	No	8	8	1	0	0	No
ZOU Yingguang	No	1	1	0	0	0	No
YAN Xiaolei	No	5	5	5	0	0	No
ZHU Jia	No	11	11	8	0	0	No
YANG Dong	No	11	11	1	0	0	No
WANG Hua	No	11	11	11	0	0	No
PO Wai Kwong	Yes	11	11	11	0	0	No
LAI Guanrong	Yes	11	11	10	0	0	No
ZHANG Zheng	Yes	11	11	11	0	0	No
WU Xi	Yes	11	11	11	0	0	No
ZHENG Wei	Yes	3	3	3	0	0	No
WANG Xiaolin (Resigned)	No	1	1	1	0	0	No
YU Zhongfu (Resigned)	No	3	2	2	1	0	No
ZHANG Qin (Resigned)	No	3	3	3	0	0	No
ZHANG Wei (Resigned)	No	3	3	3	0	0	No
ZHOU Chengyue (Resigned)	Yes	5	3	3	0	2	Yes
LI Geping (Resigned)	No	6	6	1	0	0	No
Board meetings convened during the year							11
Including: On-site meetings							10
Meetings convened by way of telecommunication							1
On-site meetings with telecommunication							10

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(VI) Training of Directors and Supervisors

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

In 2023, the training received by each of the Directors and Supervisors of the Company was rich and diverse, covering various thematic categories such as interpretation of domestic and foreign laws, regulations, policies, and market situations, market value management of listed companies, reform of the independent director system, and performance standards for Directors and Supervisors, and the newly appointed Directors and Supervisors also received training related to their first appointment, covering topics such as policy, regulatory, and tool interpretation, national strategy and industry development, corporate governance, and corporate management. In addition, the Company provided “Operation Updates” monthly to assist Directors and Supervisors in keeping abreast of the overall situation of the Company’s operations. The Company also provided “Brief Review of the Securities Industry” weekly and “Observation on Securities Industry” from time to time to assist Directors and Supervisors to keep abreast of policies and the current situation of the industry, and provide necessary strategic research support for the performance of their duties. During the Reporting Period, the training of Directors and Supervisors of the Company met the requirements of regulatory authorities and stock exchanges, and the average duration of professional training related to the performance of their duties exceeded 15 hours.

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

Directors	Type of training (Note)
Executive Directors	
WANG Changqing	A/B
ZOU Yingguang	A/B
Non-executive Directors	
LI Min	A/B
WU Ruilin	A/B
YAN Xiaolei	A/B
ZHU Jia	A/B
YANG Dong	A/B
WANG Hua	A/B
Independent Non-executive Directors	
PO Wai Kwong	A/B
LAI Guanrong	A/B
ZHANG Zheng	A/B
WU Xi	A/B
ZHENG Wei	A/B

Note:

Types of Training

- A: Attending training sessions, including but not limited to regulatory training, seminars, conference and workshops.
- B: Reading relevant newsletter, newspapers, periodicals, magazines and relevant publications.

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(VII) Board Diversity and Independent View Policy

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

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

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

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

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

As of the end of the Reporting Period, the male to female ratio of the staff of the Company was approximately 1.39:1. The Company will continue to ensure gender diversity when recruiting staff at mid to senior level so that the female senior management and potential successors will join the Board in due course to ensure gender diversity of the Board. The Company will continue to focus on training female talent and providing long-term development opportunities for female staff.

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

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(VIII) Directors Nomination Policy

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

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

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V. SPECIAL COMMITTEES UNDER THE BOARD

(I) Development Strategy Committee

1. Duties of the Committee

The Development Strategy Committee is responsible for researching and forecasting the Company's long-term development strategy and establishing the Company's development strategy plans. As of the end of the Reporting Period, the Development Strategy Committee comprises eight Directors, namely Mr. WANG Changqing, Mr. LI Min, Mr. WU Ruilin, Mr. ZOU Yingguang, Ms. ZHU Jia, Mr. YANG Dong, Ms. WANG Hua and Mr. LAI Guanrong. Mr. WANG Changqing is the current Chairman of the Development Strategy Committee.

As specified in the Articles of Association, the primary duties of the Development Strategy Committee are as follows: (1) understanding and mastering the overall operations of the Company; (2) understanding, analyzing and mastering the current conditions of international and domestic markets; (3) understanding and mastering relevant policies of the State; (4) understanding the cultural construction of the Company, evaluating the operation status of the Company's cultural concept and strategy integration development mechanism, and improving the compatibility between the Company's culture and development strategy; (5) studying the short, medium and long-term development strategies of the Company or the relevant issues; (6) providing consultancy advice on the Company's major decisions on long-term development strategy and major investments, reform etc.; (7) reviewing and approving specific research reports on development strategies; (8) issuing routine research reports regularly or from time to time; and (9) other duties determined by the Board of Directors and other duties required by the listing rules or regulatory requirements of the places where the Company's shares are listed.

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Development Strategy Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure of the Development Strategy Committee of the Board of Directors of the Company and other provisions and requirements. In 2023, a total of 4 meetings were held, the details of which were as follows:

Date of Meeting	Subject Matters
March 29, 2023	The Resolution on the 2022 Operation Report of the Executive Management of the Company and the Resolution on Adjustment to the External Investment Matters were considered
May 26, 2023	The Resolution on the 2023 Work Plan of the Company, the Resolution on the 2023 Financial Plan of the Company and the Resolution on the Increase in Capital Contribution to China Fund Management Co., Ltd. were considered
November 28, 2023	The Analysis Report on the Macroeconomic and Market in 2024, the Operation Report of the Company and the Special Report of the Subsidiaries were heard
December 19, 2023	The Resolution on Formulation of the Management Measures for the Company's Strategic Development Plan was considered

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3. Attendance of Meetings of the Development Strategy Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WANG Changqing	Chairman, Executive Director and Chairman of the Development Strategy Committee	4/4
LI Min	Vice Chairman of the Board, Non-executive Director and Member of the Development Strategy Committee	2/2
WU Ruilin	Vice Chairman of the Board, Non-executive Director and Member of the Development Strategy Committee	3/3
ZOU Yingguang	Executive Director and Member of the Development Strategy Committee	1/1
ZHU Jia	Non-executive Director and Member of the Development Strategy Committee	4/4
YANG Dong	Non-executive Director and Member of the Development Strategy Committee	4/4
WANG Hua	Non-executive Director and Member of the Development Strategy Committee	4/4
LAI Guanrong	Independent Non-executive Director and Member of the Development Strategy Committee	4/4
WANG Xiaolin (Resigned)	Vice Chairman of the Board, Non-executive Director and Member of the Development Strategy Committee	1/1
YU Zhongfu (Resigned)	Vice Chairman of the Board, Non-executive Director and Member of the Development Strategy Committee	1/1
LI Geping (Resigned)	Executive Director and Member of the Development Strategy Committee	2/2

Note: Mr. WU Ruilin, Mr. LI Min and Mr. ZOU Yingguang have served as Member of the Development Strategy Committee under the Board of Directors since April, June and November 2023, respectively.

(II) Risk Management Committee

1. Duties of the Committee

The Risk Management Committee shall be mainly responsible to monitor the overall risk management of the Company and control such risks within reasonable limits, so as to ensure that the Company may implement effective risk management plans with respect to various risks related to the operating activities of the Company. As of the end of the Reporting Period, the Risk Management Committee comprises seven Directors, namely Mr. WU Ruilin, Mr. ZOU Yingguang, Mr. YAN Xiaolei, Mr. YANG Dong, Ms. WANG Hua, Mr. ZHANG Zheng and Mr. ZHENG Wei. Mr. WU Ruilin is the current Chairman of the Risk Management Committee.

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

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Risk Management Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure for the Risk Management Committee of the Board of Directors of the Company and other provisions and requirements. In 2023, a total of 5 meetings were held, the details of which were as follows:

Date of Meeting	Subject Matters
March 29, 2023	The Resolution on the 2022 Risk Report of the Company, the Resolution on the 2022 Compliance Report of the Company, the Resolution on the 2022 Anti-Money Laundering Work Report of the Company, the Resolution on the 2022 Internal Control Evaluation Report of the Company, the Resolution on the 2023 Risk Management Polices of the Company and the Resolution on the 2023 Anti-Money Laundering Work Plan of the Company were considered
April 21, 2023	The Resolution on the Establishment of a Special Fund for Compensation in Advance on the Event in relation to Amethystum Storage and Application of the Rules for the Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement was considered
August 28, 2023	The Resolution on the Construction Plan of the Company's Money Laundering Risk Management Culture was considered; and the 2023 Interim Risk Management Work Report of the Company, the 2023 Interim Compliance Management Work Report of the Company and the 2023 Interim Anti-Money Laundering Compliance Management Work Report of the Company were heard
November 16, 2023	The Report on Risk Management Topics of the Company was heard
December 19, 2023	The Resolution on Amendments to the Management Measures for the Company's Reputation Risk was considered

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3. Attendance of Meetings of the Risk Management Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WU Ruilin	Vice Chairman of the Board, Non-executive Director and Chairman of the Risk Management Committee	3/3
ZOU Yingguang	Executive Director and Member of the Risk Management Committee	1/1
YAN Xiaolei	Non-executive Director and Member of the Risk Management Committee	3/3
YANG Dong	Non-executive Director and Member of the Risk Management Committee	5/5
WANG Hua	Non-executive Director and Member of the Risk Management Committee	5/5
ZHANG Zheng	Independent Non-executive Director and Member of the Risk Management Committee	5/5
ZHENG Wei	Independent Non-executive Director and Member of the Risk Management Committee	2/2
ZHANG Wei (Resigned)	Non-executive Director and Chairman of the Risk Management Committee	1/1
LI Geping (Resigned)	Executive Director and Member of the Risk Management Committee	2/2
ZHANG Qin (Resigned)	Non-executive Director and Member of the Risk Management Committee	1/1
ZHOU Chengyue (Resigned)	Independent Non-executive Director and Member of the Risk Management Committee	1/2

Note: Mr. WU Ruilin has served as Chairman of the Risk Management Committee under the Board of Directors since April 2023, and Mr. YAN Xiaolei, Mr. ZHENG Wei and Mr. ZOU Yingguang have served as Members of the Risk Management Committee under the Board of Directors since June, October and November 2023, respectively.

(III) Audit Committee

1. Duties of the Committee

The Audit Committee is responsible for the compliance control of the operating management and investment business of the Company and the review and supervision of the internal audit works and results of the Company. As of the end of the Reporting Period, the Audit Committee comprises five Directors, namely Mr. WU Xi, Mr. WU Ruilin, Mr. YAN Xiaolei, Mr. PO Wai Kwong and Mr. ZHENG Wei. Mr. WU Xi is the current Chairman of the Audit Committee.

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

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Audit Committee convened meetings and performed its duties in accordance with the Articles of Association, the Rules of Procedure for the Audit Committee of the Board of Directors of the Company and other provisions and requirements. In 2023, a total of 8 meetings were held, the details of which were as follows:

Date of Meeting	Subject Matters
January 13, 2023	The Report on the Company's Financial and Accounting Statements in 2022 and the Report on the 2022 External Audit Work Plan of the Company were heard
February 20, 2023	The Report on the Company's Financial and Accounting Statements Initially Audit by Annual Audit Accountants for 2022 was heard
March 30, 2023	The Report on External Audit of the Company in 2022 was heard; the Resolution on the 2022 Final Financial Accounts Plan of the Company, the Resolution on the 2022 Annual Report of the Company, the Resolution on 2022 Internal Audit Work and 2023 Work Plan of the Company, the Resolution on the 2022 Internal Control Evaluation Report of the Company and the Resolution on the Report on the Performance of Duties by the Audit Committee of the Board of the Company for 2022 were considered
April 25, 2023	The Resolution on the 2023 First Quarterly Report of the Company was considered
May 25, 2023	The Resolution on the Expected Daily Related Party Transactions/ Continuing Connected Transactions of the Company in 2023 and the Resolution on Appointment of 2023 Accounting Firms of the Company were considered
August 29, 2023	The Resolution on 2023 Interim Review Work of the Company, the Resolution on the 2023 Semi-annual Report of the Company, the Resolution on Joint Investment in Related Party/Connected Transactions between Wholly-owned Subsidiaries and Related/ Connected Parties and the Resolution on the 2023 Interim Internal Audit Work Report of the Company were considered
October 25, 2023	The Resolution on the 2023 Third Quarterly Report of the Company was considered
December 19, 2023	The Resolution on the Joint Establishment of Jinjian Beijiao Fund Related Party/Connected Transactions between Wholly-owned Subsidiaries and Related/Connected Parties was considered

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3. Attendance of Meetings of the Audit Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
WU Xi	Independent Non-executive Director and Chairman of the Audit Committee	8/8
WU Ruilin	Vice Chairman of the Board, Non-executive Director and Member of the Audit Committee	5/5
YAN Xiaolei	Non-executive Director and Member of the Audit Committee	3/3
PO Wai Kwong	Independent Non-executive Director and Member of the Audit Committee	8/8
ZHENG Wei	Independent Non-executive Director and Member of the Audit Committee	1/1
WANG Xiaolin (Resigned)	Vice Chairman of the Board, Non-executive Director and Member of the Audit Committee	2/2
ZHANG Qin (Resigned)	Non-executive Director and Member of the Audit Committee	3/3
ZHOU Chengyue (Resigned)	Independent Non-executive Director and Member of the Audit Committee	3/4

Note: Mr. WU Ruilin, Mr. YAN Xiaolei and Mr. ZHENG Wei have served as Members of the Audit Committee under the Board of Directors since April, June and October 2023, respectively.

(IV) Remuneration and Nomination Committee

1. Duties of the Committee

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

SECTION 9 CORPORATE GOVERNANCE REPORT

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

2. Work Summaries and Meetings of the Committee

During the Reporting Period, the Remuneration and Nomination Committee convened meetings and performed its duties in accordance with the Articles of Association and the Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of the Company and other provisions and requirements. In 2023, a total of 5 meetings were held, the details of which were as follows:

Date of Meeting	Subject Matters
March 8, 2023	The Resolution on Appointment of Mr. PENG Wende as the Chief Risk Officer of the Company, the Resolution on the Additional Appointment of Directors of the Company and the Resolution on the 2022 Appraisal of the Chief Compliance Officer of the Company were considered
March 29, 2023	The Resolution on the Additional Appointment of Directors of the Company was considered
May 26, 2023	The Resolution on Amendments to the Rules of Procedure for the Remuneration and Nomination Committee of the Board of Directors of the Company was considered
August 29, 2023	The Resolution on Nomination of Candidates for Independent Non-executive Directors of the Company was considered
November 2, 2023	The Resolution on the Additional Appointment of Directors of the Company and the Resolution on Appointment of Members of the Company's Executive Committee were considered

SECTION 9 CORPORATE GOVERNANCE REPORT

3. Attendance of Meetings of the Remuneration and Nomination Committee

Name	Position in the Board and the Committee	Actual attendance/ Scheduled attendance
LAI Guanrong	Independent Non-executive Director and Chairman of the Remuneration and Nomination Committee	5/5
WANG Changqing	Chairman, Executive Director and Member of the Remuneration and Nomination Committee	5/5
LI Min	Vice Chairman of the Board, Non-executive Director and Member of the Remuneration and Nomination Committee	2/2
YANG Dong	Non-executive Director and Member of the Remuneration and Nomination Committee	3/3
PO Wai Kwong	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	5/5
ZHANG Zheng	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	5/5
WU Xi	Independent Non-executive Director and Member of the Remuneration and Nomination Committee	5/5
YU Zhongfu (Resigned)	Vice Chairman of the Board, Non-executive Director and Member of the Remuneration and Nomination Committee	2/2
ZHANG Wei (Resigned)	Non-executive Director and Member of the Remuneration and Nomination Committee	2/2

Note: Mr. YANG Dong and Mr. LI Min have served as Members of the Remuneration and Nomination Committee under the Board of Directors since April 2023 and June 2023, respectively.

VI. SUPERVISORS AND THE SUPERVISORY COMMITTEE

(I) Composition of the Supervisory Committee

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

As of the end of the Reporting Period, the Supervisory Committee of the Company comprises six Supervisors, including two employee Supervisors (Ms. LIN Xuan and Mr. ZHAO Ming), and the chairman of the Supervisory Committee is Mr. ZHOU Xiaoyu. For details of change of Supervisors, please refer to "Directors, Supervisors and Senior Management" in this section.

SECTION 9 CORPORATE GOVERNANCE REPORT

(II) Duties and Powers of the Supervisory Committee

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

(III) Operation of the Supervisory Committee

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

(IV) Convening of Meetings of the Supervisory Committee

In 2023, the Company convened a total of six meetings of the Supervisory Committee, the details of which were as follows:

On March 30, 2023, the Company convened the 27th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2022 Work Report of the Supervisory Committee of the Company, the Resolution on 2022 Internal Audit Work and 2023 Work Plan of the Company, the Resolution on the 2022 Final Financial Accounts Plan of the Company, the Resolution on the Profit Distribution Plan of the Company in 2022, the Resolution on the 2022 Annual Report of the Company, the Resolution on the 2022 Risk Report of the Company, the Resolution on the 2022 Compliance Report of the Company, the Resolution on the 2022 Anti-Money Laundering Work Report of the Company, the Resolution on the 2022 Internal Control Evaluation Report of the Company, the Resolution on the 2022 Social Responsibility & Environmental, Social and Governance (ESG) Report of the Company, the Resolution on the 2023 Anti-Money Laundering Work Plan of the Company and the Resolution on the Additional Appointment of Supervisors of the Company.

SECTION 9 CORPORATE GOVERNANCE REPORT

On April 27, 2023, the Company convened the 28th meeting of the second session of the Supervisory Committee, which considered and approved the Resolution on the 2023 First Quarterly Report of the Company.

On May 29, 2023, the Company convened the 29th meeting of the second session of the Supervisory Committee, which considered and approved the Resolution on the Expected Daily Related Party Transactions/Continuing Connected Transactions of the Company in 2023.

On August 30, 2023, the Company convened the 30th meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on the 2023 Semi-annual Report of the Company, the Resolution on Amendments to the Company's System Management Measures, the Resolution on Formulation of the Company's Integrity Management Measures, the Resolution on the Construction Plan of the Company's Money Laundering Risk Management Culture and the Resolution on the 2023 Interim Internal Audit Work Report of the Company, and heard the 2023 Interim Risk Management Work Report of the Company, the 2023 Interim Compliance Management Work Report of the Company and the 2023 Interim Anti-Money Laundering Compliance Management Work Report of the Company.

On October 26, 2023, the Company convened the 31st meeting of the second session of the Supervisory Committee, which considered and approved the Resolution on the 2023 Third Quarterly Report of the Company.

On December 20, 2023, the Company convened the 32nd meeting of the second session of the Supervisory Committee, which considered and approved resolutions including the Resolution on Formulation of the Management Measures for the Company's Strategic Development Plan (Trial) and the Resolution on Amendments to the Management Measures for the Company's Reputation Risk.

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

Name	Number of meetings	Attendance in person	Attendance by proxy	Absence
ZHOU Xiaoyu	6	6	0	0
DONG Hongfu	3	3	0	0
AI Bo	6	6	0	0
WANG Xiaoguang	6	6	0	0
LIN Xuan	6	6	0	0
ZHAO Ming	6	6	0	0

Note: Mr. DONG Hongfu has served as a Supervisor since May 2023.

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VII. COMPANY SECRETARIES

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

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

Both Mr. WANG Guangxue and Ms. WONG Wai Ling confirmed that they received not less than 15 hours of relevant professional training for 2023 as of December 31, 2023.

VIII. INVESTOR RELATIONS

The Company has paid attention to maintaining investor relations, and promoted the standardized operation of the Company and protected the rights and interests of investors through comprehensive and effective investor relations management. The Company has actively performed the duties of a listed company, strengthened the investor relations management, established and improved the system in relation to investor relations management, established an investor relations management team led by the secretary of the Board of Directors, built effective communication channels between the Company and investors, promoted the positive relationship between the Company and investors, and made efforts to enhance the investors' sense of gain and satisfaction.

In 2023, after the publication of its annual, semi-annual and third-quarter results, the Company held the performance briefings in a timely manner by way of live broadcast or online interaction, to extensively collect and actively respond to market concerns. The Company actively invited domestic and foreign institutional investors and analysts to do research, so as to promote the market's full understanding of the value of investments in the Company. The Company also attached great importance to the communication with and maintenance of small and medium-sized investors, and responded to the inquiries of investors through various means, such as the investor contact hotline, investor contact email and the "e-interactive platform" of the SSE, so that investors could understand the situation of the Company more conveniently and quickly. Meanwhile, the Company fully realized that it needed to grow together with the investors, and submitted the investors' suggestions to the executive management and relevant departments in a timely manner, so as to promote the continuous improvement in the governance and value creation ability of the Company. In the management of investor relations, the Company strictly complied with various regulatory requirements in relation to information disclosure.

SECTION 9 CORPORATE GOVERNANCE REPORT

IX. COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

The Company welcomes all Shareholders to attend the Shareholders' general meetings and makes appropriate arrangement for Shareholders' general meetings to encourage Shareholders to attend the meetings. The Company's Directors, Supervisors and senior management will attend the Shareholders' general meetings. In accordance with Code Provision F.2.2 of the Corporate Governance Code of Hong Kong Stock Exchange, the Chairman of the Board and chairmen of the Development Strategy Committee, the Risk Management Committee, the Audit Committee, and the Remuneration and Nomination Committee under the Board shall attend the annual general meeting and answer questions at the meeting and shall ensure that the external auditors shall attend the annual general meeting and answer the relevant questions raised by Shareholders.

The Company shall arrange Directors, Supervisors and senior management to answer questions raised by Shareholders during the 2023 annual general meeting. The detailed procedures of voting and details of the resolutions will be set out in the information or circular of the Shareholders' general meetings.

SECTION 9 CORPORATE GOVERNANCE REPORT

X. PROCEDURES FOR PROCESSING AND RELEASING INSIDE INFORMATION

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

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

XI. RISK MANAGEMENT, COMPLIANCE MANAGEMENT AND INTERNAL CONTROL

(I) Risk Management

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

The Board confirms its responsibility for the risk management and internal control systems and reviews the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

(II) Compliance Management

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

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

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

SECTION 9 CORPORATE GOVERNANCE REPORT

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

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

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

(III) Internal Control

1. Self-evaluation of Internal Control

The internal control evaluation of the Company was carried out in accordance with the Basic Norms of Internal Control for Enterprises and the provisions of supporting guidelines, and other internal control regulatory requirements, and was implemented by the Board of Directors; the process of internal control evaluation also made reference to the system requirements, such as the Guidance for the Internal Control of Securities Companies of the CSRC, the Guidelines No.1 for the Self-Regulatory Supervision of Listed Companies on the Shanghai Stock Exchange – Standardized Operation, Rules for the Compilation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 21 – General Requirements for Annual Internal Control Evaluation Report and corporate governance rules in Hong Kong. For details, please refer to the 2023 Evaluation Report of Annual Internal Control of CSC Financial Co., Ltd.

SECTION 9 CORPORATE GOVERNANCE REPORT

2. Internal audit

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

During the Reporting Period, the Audit Department completed a total of 192 audit projects. Among which: there were 39 audit projects for the headquarters and subsidiaries, and 153 audit projects for branches. Details were as follows: there were 35 audit projects for the headquarters, the departments involved in the business audit projects included, among others, the Investment Banking Business Management Committee, the Brokerage Business Management Committee, the Asset Management Department, the Derivatives Trading Department, the Fixed Income Department, the Research and Development Department, the International Business Department, and the IT Department, and the scope involved in the effectiveness evaluation of compliance management, internal control evaluation, cultural construction quality evaluation, and connected transaction audit projects covered each department and subsidiary of the Company; the audits for subsidiaries covered the audit on duty performance of some senior management personnel of China Futures, China Capital, China Securities International and subsidiaries; there were 153 audit projects for branches, including 12 projects on branch manager mandatory off-post audit, 3 projects on branch manager resignation audit, 57 projects on business department head mandatory off-post audit, and 81 projects on business department head resignation audit.

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

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

The independent Directors of the Company, after having made the understanding and verification of the Company's guarantees as of December 31, 2023, confirmed that there were no guarantees provided by the Company for legal persons or other organizations other than the subsidiaries of the Company during the Reporting Period.

The independent Directors were of the view that the Company abided by the provisions of laws, regulations, regulatory rules and the Articles of Association in relation to guarantees, strictly performed the decision-making procedures and information disclosure obligations, and controlled on guarantee risk, and there were no guarantees violating regulations, no situations beyond the authorization of the Shareholders' general meeting, and no situations harming the legitimate rights and interests of the Company and its shareholders.

SECTION 9 CORPORATE GOVERNANCE REPORT

XII. APPOINTMENT OF AUDITORS

Please refer to “Section 6 Other Significant Events – II. Engagement or Dismissal of Accounting Firms” of this annual report for the appointment of auditors.

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

(I) Non-audit Work

The Company engaged auditors to conduct non-audit work. Please refer to Note 10 to the consolidated financial statements of this annual report for the charges during the Reporting Period.

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

During the Reporting Period, the Company further established and improved the internal control for financial report in continuous compliance with the requirements under the Basic Norms of Internal Control for Enterprises and its ancillary guidelines, Guidance for the Internal Control of Securities Companies and other laws and regulations and rules, and in accordance with the actual situation of the Company.

During the Reporting Period, in strict compliance with the requirements under the Company Law, the Accounting Law, the Accounting Standards for Business Enterprises, the Standardization of Basic Work of Accounting, the Basic Norms of Internal Control for Enterprises and other relevant laws and regulations, and in accordance with the characteristics of the industry and the actual situation of the Company, the Company formulated, revised or improved the financial and accounting management systems of the Company such as the Regulations on Marketing Expenses Management (《營銷費用管理條例》), the Administrative Measures for Operating Expenses in the Headquarters (《總部營業費用管理辦法》) and the Administrative Measures for Operating Expenses in Branches (《分支機構營業費用管理辦法》), and other internal control systems. The Company ensured the financial reports prepared by the Company complied with the requirements of accounting standards, and could truthfully, accurately and completely reflect the relevant information of the Company, such as the financial position, operating results and cash flow, by setting up a scientific financial and accounting organization structure, engaging qualified financial and accounting professionals, adopting a standardized and strict financial and accounting management system, implementing proper accounting policies and reasonable accounting estimates and other methods. The Supervisory Committee of the Company and entities such as external auditors conducted effective examination and supervision over the finance of the Company, and expressed professional audit opinions on the financial reports of the Company pursuant to the Articles of Association and the relevant regulations.

During the Reporting Period, the sound and smoothly-operated internal control system relating to the Company’s financial report could safeguard the quality of the financial report and ensure the high reliability of the financial information. During the Reporting Period, there was no material defect in the internal control relating to the Company’s financial report, and the Company’s annual financial report were true, accurate and complete.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of CSC Financial Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 179 to 300, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Consolidation of structured entities

Refer to material accounting policies, significant accounting judgements and estimates in Note 3.2(5), Note 48 to the consolidated financial statements and basis of preparation in Note 2.3.

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor of, a structured entity through issuance or acquisition of shares.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and its exposure to and ability to influence its own returns from the entity. In certain circumstances, the Group may be required to consolidate a structured entity even though it has no equity interest therein.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting relevant documents used by management relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has an appropriate process in this regard;
- selecting a sample of structured entities for 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 the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Consolidation of structured entities (continued)

Refer to material accounting policies, significant accounting judgements and estimates in Note 3.2(5), Note 48 to the consolidated financial statements and basis of preparation in Note 2.3.

The Key Audit Matter

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.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement in determining whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement could be significant.

How the matter was addressed in our audit

- evaluating the risk and reward structure of the structured entity including any capital or return guarantee, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
- evaluating management's analysis of the structured entity including qualitative analysis and calculations of the magnitude and variability associated with its economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
- evaluating management's judgement over whether the structured entity should be consolidated or not;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Refer to the material accounting policies, significant accounting judgements and estimates in Note 3.1(5)(e) and Note 3.2(1).

The Key Audit Matter

The determination of expected credit impairment allowance of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) using the expected credit loss ("ECL") model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and forward-looking adjustment. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of ECL model is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. When evaluating key parameters and assumptions, the expected credit impairment allowance of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) are derived from estimates whereby management takes into consideration of the historical losses, internal and external credit grading and other factors.

How the matter was addressed in our audit

Our audit procedures to assess expected credit impairment allowance of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments), the measurement of expected credit impairment allowances;
- with involvement of KPMG financial risk specialists, assessing the reliability of the ECL model and parameters used by management in determining expected credit impairment allowance, including the identification of loss stages, probability of default, loss given default, exposure at default and adjustments for forward-looking information, assessing the reasonableness of significant management judgement involved;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Refer to the material accounting policies, significant accounting judgements and estimates in Note 3.1(5)(e) and Note 3.2(1).

The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. When listed stocks are involved as collateral, price volatility of the stock, the liquidity, the stock holding concentration of the borrower, the loan balances to collateral ratio and the operation of the issuer will also be taken into account in the judgement.

We identified expected credit impairment allowance of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) as a key audit matter because of the inherent uncertainty and management judgment involved and because of the respective significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- assessing the completeness and accuracy of the key data used for the parameters in the ECL model. For parameters derived from key 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 of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) with the general ledger; on a sample basis, selecting financial assets and comparing investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the asset list. For parameters derived from key external data, we selected samples to inspect the accuracy of such data by comparing them with external sources;
- for parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Refer to the material accounting policies, significant accounting judgements and estimates in Note 3.1(5)(e) and Note 3.2(1).

The Key Audit Matter

How the matter was addressed in our audit

- evaluating the validity of management's assessment on whether the credit risk of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) has, or has not, increased significantly since initial recognition and whether the financial assets is credit impaired. Checking the reasonableness of management's assessment on the risk stage of credit impaired financial assets by select risk-based samples. On a sample basis, we checked the financial assets overdue information, understanding the credit situation and the collateral to loan ratio of the borrowers;
- for selected samples of the financial assets that are credit-impaired, evaluating the reasonableness of loss given default. We also evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms;
- reviewing the accuracy of the amount of expected credit impairment allowance using the ECL model based on the above audit procedures for a sample of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments);
- evaluating whether the disclosures on expected credit impairment allowance of margin accounts, financial assets held under resale agreements and financial assets at fair value through other comprehensive income (debt instruments) meet the disclosure requirements of prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Refer to Note 52(1), (2), (3) to the consolidated financial statements and the material accounting policies, significant accounting judgements and estimates in Note 3.1(5)(d) and Note 3.2(3).

The Key Audit Matter

As at 31 December 2023, the Group's financial instruments included those classified under Level 3 in the fair value hierarchy, which were measured using valuation techniques that involve significant unobservable inputs.

We identified valuation of financial instruments measured at fair value and classified as Level 3 as a key audit matter because of the size of their amounts, the degree of complexity involved in valuing financial instruments and the significant degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the valuation of financial instruments measured at fair value and classified as Level 3 included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification and valuation model approval for financial instruments;
- reading investment agreements entered into during the current year, for a sample of level 3 financial instruments to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments;
- involving KPMG valuation specialists to assist us in evaluating the valuation models used by the Group to value certain level 3 financial instruments and to perform, on a sample basis, independent valuations of level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current market practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations;
- evaluating the reasonableness of the disclosures on the valuation of financial instruments measured at fair value and classified as Level 3 with reference to the requirements of the prevailing accounting standards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lok Man.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2024

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
Revenue			
Fee and commission income	6	14,402,652	15,542,955
Interest income	7	10,117,898	9,532,551
Net investment gains	8	6,841,744	4,532,155
		31,362,294	29,607,661
Other income	9	2,617,138	6,863,120
Total revenue and other income		33,979,432	36,470,781
Fee and commission expenses	10	(2,332,552)	(1,773,490)
Interest expenses	10	(8,406,078)	(7,141,940)
Staff costs	10	(7,972,590)	(7,891,647)
Tax and surcharges		(130,308)	(155,984)
Other operating expenses and costs	10	(6,895,434)	(9,738,227)
Credit impairment reversals/(losses)	13	130,343	(284,803)
Impairment losses on other assets		(8,417)	(25,980)
Total expenses		(25,615,036)	(27,012,071)
Operating profit		8,364,396	9,458,710
Share of profits of associates		7,373	13,516
Profit before income tax		8,371,769	9,472,226
Income tax expense	14	(1,324,423)	(1,942,644)
Profit for the year		7,047,346	7,529,582
Attributable to:			
Equity holders of the Company		7,034,486	7,519,428
Non-controlling interests		12,860	10,154
		7,047,346	7,529,582
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share)			
– Basic and diluted	16	0.78	0.86

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Profit for the year	7,047,346	7,529,582
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income	268,925	(299,156)
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	29,746	(197,193)
Income tax relating to these items	(64,085)	107,029
	234,586	(389,320)
Share of other comprehensive income of associates	34	(50)
Foreign currency translation differences	61,428	301,472
Items that will not be reclassified subsequently to profit or loss		
Net losses on investments in equity instruments designated as at fair value through other comprehensive income	(25,636)	(15,772)
Income tax relating to these items	–	–
	(25,636)	(15,772)
Other comprehensive income/(loss) for the year, net of tax	270,412	(103,670)
Total comprehensive income for the year	7,317,758	7,425,912
Attributable to:		
Equity holders of the Company	7,304,898	7,415,758
Non-controlling interests	12,860	10,154
	7,317,758	7,425,912

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment	17	799,929	670,051
Right-of-use assets	18	1,477,583	1,855,388
Investment properties		43,823	38,142
Intangible assets	19	827,251	670,381
Investments in associates	21	114,656	107,524
Financial assets at fair value through profit or loss	22	10,034,677	9,161,354
Financial assets at fair value through other comprehensive income		1,400	–
Financial assets held under resale agreements	24	29,887	4,868
Refundable deposits	25	12,741,491	10,881,160
Deferred tax assets	26	428,316	1,143,449
Other non-current assets	27	361,708	92,558
Total non-current assets		26,860,721	24,624,875
Current assets			
Margin accounts	28	56,392,572	52,870,595
Accounts receivable	29	9,680,222	10,825,581
Financial assets at fair value through profit or loss	22	204,157,742	178,149,786
Financial assets at fair value through other comprehensive income	23	75,801,856	70,719,979
Derivative financial assets	30	4,185,151	2,863,416
Financial assets held under resale agreements	24	13,912,409	25,546,432
Cash held on behalf of clients	31	93,944,908	103,904,955
Cash and bank balances	32	36,620,725	38,944,880
Other current assets	33	1,195,882	755,511
Total current assets		495,891,467	484,581,135
Total assets		522,752,188	509,206,010
Current liabilities			
Accounts payable to brokerage clients	34	100,923,675	109,294,147
Lease liabilities	35	480,880	512,432
Derivative financial liabilities	30	4,360,558	3,258,544
Financial liabilities at fair value through profit or loss	36	5,185,063	6,491,380
Financial assets sold under repurchase agreements	37	129,461,728	122,153,951
Placements from banks and other financial institutions	38	1,904,048	8,724,569
Taxes payable	39	363,965	941,312
Short-term borrowings	40	473,460	1,243,577
Short-term financing instruments payable	41	37,701,659	19,541,248
Other current liabilities	42	57,531,977	74,037,483
Total current liabilities		338,387,013	346,198,643
Net current assets		157,504,454	138,382,492
Total assets less current liabilities		184,365,175	163,007,367

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Note	31 December 2023	31 December 2022
Non-current liabilities			
Financial liabilities at fair value through profit or loss	36	4,959,247	5,815,574
Bonds in issue	43	80,643,971	62,210,438
Lease liabilities	35	1,065,204	1,371,584
Deferred tax liabilities	26	166,832	311,861
Other non-current liabilities		3,514	2,368
Total non-current liabilities		86,838,768	69,711,825
Net assets		97,526,407	93,295,542
Equity			
Share capital	44	7,756,695	7,756,695
Other equity instruments	45	24,906,528	24,906,528
Reserves	46	35,665,798	33,398,108
Retained earnings		29,149,026	27,189,876
Equity attributable to equity holders of the Company		97,478,047	93,251,207
Non-controlling interests		48,360	44,335
Total equity		97,526,407	93,295,542

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

Approved and authorized for issue by the Board of Directors on 28 March 2024.

WANG Changqing

Chairman

ZOU Yingguang

Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Attributable to equity holders of the Company											
	Note	Share capital	Other equity instruments	Reserves					Retained earnings	Subtotal	Non-controlling interests	Total
				Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 1 January 2023		7,756,695	24,906,528	12,417,001	6,386,088	13,953,964	307,911	333,144	27,189,876	93,251,207	44,335	93,295,542
Profit for the year		-	-	-	-	-	-	-	7,034,486	7,034,486	12,860	7,047,346
Other comprehensive income for the year		-	-	-	-	-	208,984	61,428	-	270,412	-	270,412
Total comprehensive income for the year		-	-	-	-	-	208,984	61,428	7,034,486	7,304,898	12,860	7,317,758
Capital reduced by equity holders												
- Others		-	-	-	-	-	-	-	-	-	(1,750)	(1,750)
Appropriation to surplus reserves	46	-	-	-	679,212	-	-	-	(679,212)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,319,473	-	-	(1,319,473)	-	-	-
Dividends - 2022	15	-	-	-	-	-	-	-	(2,094,308)	(2,094,308)	-	(2,094,308)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(983,750)	(983,750)	-	(983,750)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(7,085)	(7,085)
Others		-	-	-	(1,407)	-	-	-	1,407	-	-	-
At 31 December 2023		7,756,695	24,906,528	12,417,001	7,063,893	15,273,437	516,895	394,572	29,149,026	97,478,047	48,360	97,526,407

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Note	Attributable to equity holders of the Company										
		Share capital	Other equity instruments	Reserves					Retained earnings	Subtotal	Non-controlling interests	Total
				Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve				
At 31 December 2021		7,756,695	14,937,500	12,447,626	5,616,762	12,514,173	713,053	31,672	25,800,975	79,818,456	187,828	80,006,284
Plus: Impact of changes in accounting policies	3.1	-	-	-	(621)	(1,188)	-	-	(3,455)	(5,264)	-	(5,264)
Adjusted balance at 1 January 2022		<u>7,756,695</u>	<u>14,937,500</u>	<u>12,447,626</u>	<u>5,616,141</u>	<u>12,512,985</u>	<u>713,053</u>	<u>31,672</u>	<u>25,797,520</u>	<u>79,813,192</u>	<u>187,828</u>	<u>80,001,020</u>
Profit for the year		-	-	-	-	-	-	-	7,519,428	7,519,428	10,154	7,529,582
Other comprehensive income for the year		-	-	-	-	-	(405,142)	301,472	-	(103,670)	-	(103,670)
Total comprehensive income for the year		-	-	-	-	-	(405,142)	301,472	7,519,428	7,415,758	10,154	7,425,912
Capital injected/(reduced) by equity holders												
- Capital injected by subsidiaries' non-controlling equity holders		-	-	-	-	-	-	-	-	-	6,000	6,000
- Capital injected by other equity instrument holders	45	-	9,969,028	-	-	-	-	-	-	9,969,028	-	9,969,028
- Others		-	-	(30,625)	-	-	-	-	-	(30,625)	(152,934)	(183,559)
Appropriation to surplus reserves	46	-	-	-	769,947	-	-	-	(769,947)	-	-	-
Appropriation to general reserves	46	-	-	-	-	1,440,979	-	-	(1,440,979)	-	-	-
Dividends - 2021	15	-	-	-	-	-	-	-	(3,063,894)	(3,063,894)	-	(3,063,894)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	-	(852,252)	(852,252)	-	(852,252)
Dividends to non-controlling interests		-	-	-	-	-	-	-	-	-	(6,713)	(6,713)
At 31 December 2022		<u>7,756,695</u>	<u>24,906,528</u>	<u>12,417,001</u>	<u>6,386,088</u>	<u>13,953,964</u>	<u>307,911</u>	<u>333,144</u>	<u>27,189,876</u>	<u>93,251,207</u>	<u>44,335</u>	<u>93,295,542</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Cash flows from operating activities		
Profit before income tax	8,371,769	9,472,226
Adjustments for:		
Interest expenses on bonds in issue, short-term financing instruments payable, borrowings and lease liabilities	4,005,140	3,734,584
Dividend income and interest income from financial assets at fair value through other comprehensive income	(2,416,810)	(1,882,014)
Net gains from disposal of financial assets at fair value through other comprehensive income	(366,466)	(196,771)
Net losses from disposal of subsidiaries and associates	–	6,744
Share of profits from associates and joint ventures	(7,373)	(13,516)
Net (gains)/losses on disposal of property, plant, equipment and other assets	(2,009)	1,536
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(2,228,454)	1,474,321
Net foreign exchange losses	8,350	26,104
Depreciation and amortization	1,135,949	1,011,524
Credit impairment (reversals)/losses	(130,343)	284,803
Impairment losses on other assets	8,417	25,980
	<u>8,378,170</u>	<u>13,945,521</u>
Net changes in operating assets		
Margin accounts	(3,333,944)	5,235,685
Financial assets at fair value through profit or loss	(25,927,025)	(29,485,663)
Cash held on behalf of clients	9,930,288	(15,710,633)
Financial assets held under resale agreements	11,597,580	(6,408,821)
Other operating assets	(299,580)	12,031,454
	<u>(8,032,681)</u>	<u>(34,337,978)</u>
Net changes in operating liabilities		
Accounts payable to brokerage clients	(8,370,472)	16,211,335
Financial liabilities at fair value through profit or loss	(2,015,801)	5,691,114
Financial assets sold under repurchase agreements	7,255,416	22,516,495
Placements from banks and other financial institutions	(6,800,000)	200,000
Other operating liabilities	875,227	2,585,982
	<u>(9,055,630)</u>	<u>47,204,926</u>
Net cash (outflow)/inflow from operating activities before tax	(8,710,141)	26,812,469
Income tax paid	(1,416,772)	(2,533,069)
Net cash (outflow)/inflow from operating activities	<u>(10,126,913)</u>	<u>24,279,400</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

	Year ended 31 December	
	2023	2022
Cash flows from investing activities		
Net cash flow from purchase or disposal of financial assets at fair value through other comprehensive income	(4,245,943)	(22,258,844)
Dividend income and interest income received from financial assets at fair value through other comprehensive income	2,668,364	1,554,197
Cash paid for purchase of property, plant and equipment and other assets	(1,077,768)	(546,949)
Other cash flows from investing activities	910	9,337
Net cash inflow/(outflow) from investing activities	(2,654,437)	(21,242,259)
Cash flows from financing activities		
Cash inflows from perpetual bonds	–	10,000,000
Cash inflows from subsidiaries' non-controlling equity holders	–	6,000
Cash inflows from borrowing activities	8,478,717	8,798,678
Cash inflows from issuing bonds and short-term financing instruments	98,914,799	88,797,753
Cash outflows from dividend distribution to ordinary shareholders	(2,094,308)	(3,063,894)
Cash outflows from distribution to other equity instrument holders	(983,750)	(625,000)
Cash outflows from distribution to subsidiaries' non-controlling equity holders	(7,085)	(6,713)
Repayments of interest on debts	(4,061,727)	(3,844,702)
Repayments of debts	(88,612,709)	(99,092,589)
Other cash outflows from financing activities	(794,430)	(834,724)
Net cash inflow from financing activities	10,839,507	134,809
Net change in cash and cash equivalents	(1,941,843)	3,171,950
Cash and cash equivalents at the beginning of the year	38,560,954	35,235,352
Effect of exchange rate changes on cash and cash equivalents	(550,884)	153,652
Cash and cash equivalents at the end of the year (Note 47 (1))	36,068,227	38,560,954

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

1 GENERAL INFORMATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION

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

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

2.1 Amendments to the accounting standards effective in 2023 and adopted by the Group

- | | | |
|-----|--|--|
| (1) | Amendments to IFRS 17 | Insurance Contracts |
| (2) | Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8 | Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates |
| (3) | Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

1) Amendments to IFRS 17: Insurance Contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The adoption of the amendments does not have a significant impact on the Group’s consolidated financial statements.

2) Amendments to IAS 1, IFRS Practice Statement 2 and IAS 8: Disclosure of Material Accounting Policy Information, and Distinction of Changes in Accounting Policies from Changes in Accounting Estimates

The amendments to IAS 1 require entities to disclose material accounting policy information, rather than significant accounting policies, and provide the concept of material accounting policy information. The amendments to IFRS Practice Statement 2 provide guidance on applying the concept of materiality to accounting policy disclosure. The amendments to IAS 8 provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The adoption of the amendments does not have a significant impact on the Group’s consolidated financial statements.

3) Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The adoption of the amendments does not have a significant impact on the Group’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

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

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

			Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
(2)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
(3)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early application of the amendments continues to be permitted.
(4)	Amendments to IAS 7	Supplier Finance Arrangements	1 January 2024
(5)	Amendments to IAS 21	Lack of Exchangeability	1 January 2025

1) Amendments to IAS 1: Non-current Liabilities with Covenants

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

2) Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments add to the requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right-of-use it retains, including cases with variable lease payments in the leaseback. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

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

3) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

4) Amendments to IAS 7: Supplier Finance Arrangements

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

5) Amendments to IAS 21: Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability. Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The accounting policies and accounting period of the Company and its subsidiaries are consistent.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

Income or expenses resulted from acquisition or disposal of subsidiaries, from the date on which the Company obtains control to the date on which the Company ceases its control over subsidiaries, are in the scope of consolidation. Intra-group assets and liabilities, equity, income, expenses, and cash flow which are relevant to all intra-group transactions occurred should be eliminated on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

2.3 Basis of consolidation (Continued)

A portion of equity over subsidiaries and profit or loss which does not belong to the Company should be treated as non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the Company.

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Material accounting policies

(1) Accounting period

The accounting year starts on 1 January and ends on 31 December.

(2) Functional and presentation currency

The Company's functional and presentation currency is RMB.

Each entity in the Group determines its own functional currency according to its economic situation. The functional currency is denominated in RMB in the consolidated financial statements.

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short-term, highly-liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(4) Foreign currency transactions and foreign currency translation

The Group adopts the sub-account system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. The exchange rate is the central parity rate quoted by the People's Bank of China or authorized bodies. All differences are taken to the consolidated income statement. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(4) Foreign currency transactions and foreign currency translation (Continued)

The assets and liabilities of foreign operation subsidiaries denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of reporting period for consolidated financial statements. The equity items, excluding “retained earnings”, are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the rates that approximate the spot exchange rates. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognized in other comprehensive income (“OCI”) and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(5) Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets are classified on the basis of the Group’s business model for managing the assets and the cash flow characteristics of the assets in the following measurement categories: (i) Amortized cost; (ii) Fair value through other comprehensive income (“FVOCI”); (iii) Fair value through profit or loss (“FVPL”).

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of “other” business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(a) *Initial recognition, classification and measurement of financial instruments (Continued)*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds and subordinated bonds. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.
- (ii) Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.
- (iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

Contingent liabilities recognized by buyers should be measured as FVPL under business combination for entities owned by different ultimate shareholders.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

(c) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Amortized cost (Continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when 1) the Group's right to receive payments is established, 2) it is probable that future economic benefits associated with the item will flow to the Group, 3) the amounts of the dividends can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within “Net investment gains” in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the “Net investment gains” in the consolidated income statement.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses presented in profit or loss. Gains or losses arising from the financial liabilities designated at FVPL should be treated in accordance with the following provisions: (i) the amount of changes in the fair value of the financial liabilities caused by changes in the Group’s own credit risk should be included in other comprehensive income; (ii) Other changes in fair value of the financial liabilities are recognized in profit or loss. If the treatment of the impact of changes in the credit risk of the financial liabilities in accordance with (i) would cause or expand accounting mismatches in profit or loss, the Group shall include all gains or losses (including the amount affected by changes in its own credit risk) of the financial liabilities in profit or loss.

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(d) Fair value of financial instruments (Continued)

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss, except for POCI financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(5) Financial instruments (Continued)

(f) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The changes on fair value of derivative financial instruments are directly recognized in the consolidated income statement. The difference between fair value and carrying amount is recognized as investment income when disposing.

(g) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the contractual rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

When equity financial assets designated as at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to retained earnings. When other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Net investment gains".

A financial liability is derecognized when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged. Fair value gains and losses are charged to profit or loss. When financial liabilities designated as at FVPL are derecognized, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(6) Leases

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- (i) the amount of the initial measurement of the lease liability;
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial direct costs are defined as incremental costs. Incremental costs would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(6) Leases (Continued)

(b) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 *Property, Plant and Equipment* in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) Recognition of short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months from the commencement date or less. Leases of low value assets are the underlying assets are of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases of low value assets.

(7) Reverse repurchase agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in financial assets sold under repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognized through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(8) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to clients for purchase of securities, or lending of securities by the Group to clients for securities selling, for which the clients provide the Group with collateral.

The Group recognizes margin accounts at initial recognition, and recognizes interest income accordingly. Securities lent are not derecognized, but still accounted for as the original financial assets, and interest income is recognized accordingly.

Securities trading on behalf of margin financing and securities lending clients are accounted for as securities brokerage services.

(9) Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(10) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment refer to tangible assets held and controlled by the Group that the Group expects to use for more than one year for using in the supply of services or for administrative purpose. An asset is recognized as property, plant and equipment only if the following criteria are both satisfied:

- (i) It is highly probable that future economic benefits associated with the property, plant and equipment will flow to the Group;
- (ii) The cost of the asset can be measured reliably.

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognized in the profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis monthly.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	2.262%	5%
Electronic devices	2 to 5 years	1.667% - 4.167%	0%
Transportation vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

The years that the property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of the property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of the property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(c) Construction in progress

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalization and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

(13) Intangible assets

Intangible assets are recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognized as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortized on a straight-line basis over the useful period. The useful lives and amortization method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Trading seat rights at Shanghai and Shenzhen Stock Exchanges are amortized over 10 years (subject to any changes in industry rules subsequently issued) and charged to the consolidated income statement. Outsourcing software is amortized over 5 years. Self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets are amortized over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(14) Long-term pre-paid expense

Improvement expenses on property, plant and equipment under operating leases are amortized on a straight-line basis over the shorter of the contractual lease terms and 5 years, while long-term pre-paid expenses are amortized on a straight-line basis over their respective benefit periods but no longer than 10 years.

(15) Revenue

An entity should determine at contract inception whether control of a good or service is transferred over time or at a point in time. The determination should depict the transfer of benefits to the customer and should be evaluated from the customer's perspective.

An entity should first assess whether the performance obligation is satisfied with the following criteria over time. If not, the good or service transfers at a point in time.

- (i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.
- (ii) The entity's performance creates or enhances a customer-controlled assets.
- (iii) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined.

An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time:

- Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.
- Revenue from the securities brokerage services is recognized on the date of the securities transaction.
- Revenue from asset management services is recognized when management services are provided in accordance with the asset management contract.
- Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(15) Revenue (Continued)

Interest income of debt investments of the Group at amortized costs and FVOCI, is measured by carrying amount and effective interest rate. Interest income of credit impaired financial assets are measured by amortized cost and effective interest rate. Net gains of holding period from financial investments at FVPL is measured as “Net investment gains”.

(16) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the liability method on temporary differences arising between the carrying amount and the respective tax base of assets, liabilities or items that have not been recognized as assets and liabilities but whose tax base can be determined according to tax laws and regulations at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities, except:

- (i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses and does not give rise to equal taxable and deductible temporary differences; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(16) Income tax (Continued)

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- (i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses and does not give rise to equal taxable and deductible temporary differences; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount will be reversed accordingly.

Deferred tax assets and liabilities are offset:

- (i) when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (ii) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(17) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees or compensate for the termination of labour contract. The compensation payable is recognized as liability in the accounting period of services provided by employee. The employee compensation comprises of short-term compensation, post-employment welfare, termination benefits, and other long-term employee welfares.

Short-term compensation comprises of staff salaries, bonus, allowances, and subsidies, as well as social insurance expenses including employee welfare, medical insurance charge, work-related injury insurance charge, and maternity insurance and also covers housing funds, labour union expenses, personnel education expenses, short-term paid leave, short-term profit-sharing plan, non-monetary welfare and other short-term compensations.

Post-employment welfare plans refer to agreements reached with employees or policies and measures established by the Group in relation to post-employment welfare. The defined contribution plans refer to post-employment welfare plans in which the Group pays contribution to an independent fund and the Group has no further payment obligation.

(18) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognized at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods stipulated in government documents are recognized as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the other grants are related to income.

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released into the consolidated income statement during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognized into profit or loss directly. Government grants related to assets are recognized as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded in the consolidated income statement directly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(19) Impairment

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is any indication that assets are impaired. When any such indication exists, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group reduces the carrying amount to recoverable amount. The reduced amounts are recognized in the consolidated income statement and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognizes relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the loss of impairment of the above-mentioned assets has been recognized, it will not be reversed in the future accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties.

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(21) Contingencies

The obligation pertinent to contingencies shall be recognized as provisions when the following conditions are satisfied concurrently:

- the obligation is a present obligation of the Group;
- the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and
- the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at each balance sheet date. If there is substantial evidence that the amount of provisions cannot reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or, a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

(22) Perpetual bonds

Perpetual bonds issued by the Group, which satisfied with the following criteria are classified as equity instruments:

- (i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);
- (ii) Financial instruments must or can be settled on own equity: (a) For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares; (b) Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual bonds, which are classified as equity instruments, are accounted for as profit distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Material accounting policies (Continued)

(23) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may appropriate certain proportions of net profit for a discretionary surplus reserve after setting aside the statutory surplus reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve sets aside by the Company are used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company, expand the Company's business or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the ordinary equity holders in the Annual General Meeting. When these dividends have been approved by the ordinary equity holders, they are recognized as a liability.

3.2 Significant accounting judgements and estimates

On the balance sheet date, during the preparation of the Group's financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. At the end of the reporting period, management made the following judgements and main assumptions on major future uncertainties, which might lead to adjustments in the book value of assets and liabilities.

(1) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(1) Measurement of the expected credit loss allowance (Continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

Inputs, assumptions and estimation techniques

ECL are the discounted product of probability of default having considered the forward-looking impact, exposure at default, and loss given default.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the probability of default (“PD”) vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 53.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayment of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

(3) Fair Value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine its fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using discount cash flow analysis and option pricing model to estimate. Valuation methods maximize the use of observable market information. However, when observable market information is unavailable, management will estimate the significant non-observable information included in the valuation methods.

(4) Income tax

The Group needs to make a judgement on future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax regulations, the Group carefully evaluates the impact of income tax on transactions and accordingly calculates income tax. The deferred income tax assets can only be recognized when there is a possibility of future taxable profits and can be used to offset the temporary differences. This requires a major judgement on the tax treatment of certain transactions and a significant estimate of the possibility of having sufficient future taxable profits to offset deferred income tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

3 MATERIAL ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(5) Consolidation of structured entities

Management needs to make significant judgements on whether to control and consolidate structured entities, confirming whether it will affect accounting treatment and the financial situation and operating results of the Group.

In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In judging whether the Group controls the structured entities, it also needs to consider whether the Group's decision-making behavior is carried out as a principal or as an agent. Considerations usually include the scope of decision-making power of the Group to the structured entities, the substantive rights enjoyed by other parties, the level of remuneration of the Group, and the risk that the Group bears variable returns for holding other interests of the structured entities.

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 issued by the Ministry of Finance (the "MOF"), the State Administration of Taxation (the "SAT") and the National Development and Reform Commission, the applicable income tax rates for China Futures Co., Ltd. is 15%.

China Securities (International) Finance Holding Co., Ltd. shall be charged at the applicable tax rate in the region where its tax resident status is located.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

4 TAXATION (CONTINUED)

(2) Value added tax

Pursuant to the “Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the “VAT Pilot Programs”)” (Cai Shui [2016] No.36), the “Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the “Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions” (Cai Shui [2016] No.70) issued by the MOF and the SAT of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the “Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services” (Cai Shui [2016] No.140), the “Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products” (Cai Shui [2017] No.2) and the “Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products” (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018 as the manager of asset management products.

- (3) Urban maintenance and construction taxes, educational surcharges and local educational surcharges are charged at 7%/5%/1%, 3% and 2% of the actual payment of the turnover tax, respectively.
- (4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group’s operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily commodity trading and the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

	Year ended 31 December 2023					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	5,022,410	4,803,428	3,262,649	1,314,165	-	14,402,652
Interest income	-	4,857,335	4,481,188	17,869	761,506	10,117,898
Net investment gains	-	-	6,688,875	152,869	-	6,841,744
Other income	6,180	135,343	92,873	16,978	2,365,764	2,617,138
Total revenue and other income	5,028,590	9,796,106	14,525,585	1,501,881	3,127,270	33,979,432
Segment expenses	(4,170,546)	(7,494,628)	(10,362,593)	(824,429)	(2,762,840)	(25,615,036)
Including: Interest expenses	-	(2,068,733)	(6,243,787)	(38,331)	(55,227)	(8,406,078)
Credit impairment reversals/(losses)	3,717	(73,229)	228,393	2,607	(31,145)	130,343
Impairment losses on other assets	-	-	-	-	(8,417)	(8,417)
Operating profit	858,044	2,301,478	4,162,992	677,452	364,430	8,364,396
Share of profits of associates	-	-	-	-	7,373	7,373
Profit before income tax	858,044	2,301,478	4,162,992	677,452	371,803	8,371,769
Income tax expense						(1,324,423)
Net profit for the year						7,047,346
Total assets	1,809,073	127,826,266	355,062,835	5,510,079	32,543,935	522,752,188
Total liabilities	2,304,031	108,625,851	304,870,614	2,901,357	6,523,928	425,225,781
Other segment information:						
Depreciation and amortization	272,393	303,296	439,189	66,148	54,923	1,135,949
Capital expenditure	262,423	290,643	429,161	56,510	39,031	1,077,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2022					Total
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	
Segment revenue and other income						
Fee and commission income	6,174,276	4,247,456	3,645,856	1,475,367	–	15,542,955
Interest income	–	4,840,950	3,912,035	9,600	769,966	9,532,551
Net investment gains	–	–	4,300,915	231,240	–	4,532,155
Other income	300	76,606	133,738	14,565	6,637,911	6,863,120
Total revenue and other income	<u>6,174,576</u>	<u>9,165,012</u>	<u>11,992,544</u>	<u>1,730,772</u>	<u>7,407,877</u>	<u>36,470,781</u>
Segment expenses	(3,252,872)	(6,609,660)	(9,268,961)	(820,702)	(7,059,876)	(27,012,071)
Including: Interest expenses	(89,036)	(2,060,389)	(4,885,372)	(48,063)	(59,080)	(7,141,940)
Credit impairment (losses)/reversals	(321)	33,504	(315,238)	(2,736)	(12)	(284,803)
Impairment losses on other assets	–	–	–	–	(25,980)	(25,980)
Operating profit	<u>2,921,704</u>	<u>2,555,352</u>	<u>2,723,583</u>	<u>910,070</u>	<u>348,001</u>	<u>9,458,710</u>
Share of profits and losses of associates	–	–	–	(63)	13,579	13,516
Profit before income tax	<u>2,921,704</u>	<u>2,555,352</u>	<u>2,723,583</u>	<u>910,007</u>	<u>361,580</u>	<u>9,472,226</u>
Income tax expense						<u>(1,942,644)</u>
Net profit for the year						<u><u>7,529,582</u></u>
Total assets	<u>1,134,297</u>	<u>126,128,091</u>	<u>341,012,400</u>	<u>5,042,466</u>	<u>35,888,756</u>	<u>509,206,010</u>
Total liabilities	<u>4,454,062</u>	<u>115,778,937</u>	<u>284,530,675</u>	<u>2,976,489</u>	<u>8,170,305</u>	<u>415,910,468</u>
Other segment information:						
Depreciation and amortization	291,765	280,334	314,410	72,482	52,533	1,011,524
Capital expenditure	158,603	158,265	174,198	33,382	22,501	546,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Year ended 31 December 2023	2022
Brokerage services income	7,489,171	7,277,827
Investment banking income	5,022,410	6,174,276
Asset and fund management income	1,314,165	1,475,367
Others	576,906	615,485
Total	<u>14,402,652</u>	<u>15,542,955</u>

7 INTEREST INCOME

	Year ended 31 December 2023	2022
Margin financing and securities lending	3,768,604	3,822,950
Bank deposits	3,286,574	3,072,053
Financial assets at fair value through other comprehensive income	2,411,027	1,875,224
Financial assets held under resale agreements	533,670	568,777
Others	118,023	193,547
Total	<u>10,117,898</u>	<u>9,532,551</u>

8 NET INVESTMENT GAINS

	Year ended 31 December 2023	2022
Net gains/(losses) from financial assets at fair value through profit or loss	4,267,903	(1,527,449)
Net losses from disposal of subsidiaries and associates	-	(6,744)
Dividend income from financial assets at fair value through other comprehensive income	5,783	6,790
Net gains from disposal of financial assets at fair value through other comprehensive income	366,466	196,771
Net (losses)/gains from financial liabilities at fair value through profit or loss	(85,367)	1,018,093
Net gains from derivatives	2,272,109	4,717,051
Net gains attributable to other interest holders of consolidated structured entities	14,850	127,643
Total	<u>6,841,744</u>	<u>4,532,155</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

9 OTHER INCOME

	Year ended 31 December	
	2023	2022
Income from bulk commodity trading	2,265,911	6,596,553
Government grants	120,277	65,966
Net gains on foreign exchange	54,903	101,809
Rental income	15,837	13,600
Gains/(losses) on disposal of property, plant and equipment	2,009	(1,536)
Others	158,201	86,728
Total	<u>2,617,138</u>	<u>6,863,120</u>

10 EXPENSES

	Year ended 31 December	
	2023	2022
Fee and commission expenses:		
Brokerage expenses	1,926,027	1,347,476
Investment banking expenses	225,987	247,671
Others	180,538	178,343
Total	<u>2,332,552</u>	<u>1,773,490</u>
Interest expenses:		
Bonds in issue	3,048,471	3,177,324
Financial assets sold under repurchase agreements	2,810,754	1,983,748
Short-term financing instruments payable	869,143	470,579
Accounts payable to brokerage clients	745,782	573,525
Placements from banks and other financial institutions	608,260	672,582
Lease liabilities	59,126	64,677
Borrowings	28,400	22,004
Others	236,142	177,501
Total	<u>8,406,078</u>	<u>7,141,940</u>
Staff costs (including directors' and supervisors' remuneration):		
Staff salaries	6,222,859	6,364,971
Contributions to defined contribution schemes (i)	690,493	582,925
Other social benefits	763,550	641,018
Others	295,688	302,733
Total	<u>7,972,590</u>	<u>7,891,647</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

10 EXPENSES (CONTINUED)

- (i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Year ended 31 December	
	2023	2022
Cost of bulk commodity trading	2,249,382	6,593,450
Non-operating expenses (1)	1,131,658	32,467
Depreciation of right-of-use assets	623,171	574,762
Electronic equipment operating expenses	530,231	369,095
Office operating expenses	314,212	346,264
Business travel expenses	296,135	174,850
Membership fees of exchanges	250,758	265,058
Depreciation expenses	245,342	233,447
Amortization of intangible assets	216,959	165,533
Auditors' remuneration	6,258	6,644
Including: Audit service	5,569	5,851
Non-audit service	689	793
Others	1,031,328	976,657
Total	6,895,434	9,738,227

- (1) On 21 April 2023, Amethystum Storage Technology Co., Ltd. (hereinafter referred to as "Amethystum Storage") received administrative penalties by the CSRC for fraudulent issuance and violation of laws and regulations in respect of information disclosure based on the Administrative Penalty Decision ([2023] No. 30) from the CSRC. On 26 May 2023, as the sponsor and lead underwriter of Amethystum Storage, the Company jointly established a special fund for compensation in advance on the event in relation to Amethystum Storage (hereinafter referred to as the "Special Fund") together with other intermediary institutions, which was used to compensate eligible investors for their investment losses in advance.

On December 29, 2023, the CSRC and the Company signed the "Administrative Law Enforcement Party's Commitment Acceptance Agreement" (hereinafter referred to as the "Agreement"). The Company strictly executed the Agreement and paid the corresponding commitment funds in accordance with the relevant provisions of the Implementation Measures for Rules for Undertakings Made by the Parties to Securities and Futures Administrative Law Enforcement. As of the date of approval of this financial report, the Company has paid up the commitment funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

Name	Year ended 31 December 2023				Total remuneration before tax
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,110	1,270	-	158	3,538
Zou Yingguang (<i>a</i>)	257	-	-	27	284
Li Geping (<i>b</i>)	830	-	-	65	895
Non-executive Directors					
Li Min (<i>Vice Chairman</i>) (<i>c</i>)	-	-	-	-	-
Wu Ruilin (<i>Vice Chairman</i>) (<i>d</i>)	-	-	-	-	-
Yu Zhongfu (<i>e</i>)	-	-	-	-	-
Yan Xiaolei (<i>c</i>)	-	-	-	-	-
Wang Xiaolin (<i>f</i>)	-	-	-	-	-
Zhang Qin (<i>e</i>)	-	-	-	-	-
Zhu Jia	-	-	-	-	-
Zhang Wei (<i>g</i>)	-	-	-	-	-
Yang Dong	-	-	-	-	-
Wang Hua	-	-	-	-	-
Independent Non-executive Directors					
Pu Weiguang	-	-	355	-	355
Lai Guanrong	-	-	355	-	355
Zhou Chengyue (<i>k</i>)	-	-	-	-	-
Zhang Zheng (<i>l</i>)	-	-	355	-	355
Wu Xi (<i>m</i>)	-	-	360	-	360
Zheng Wei (<i>n</i>)	-	-	60	-	60
Supervisors					
Zhou Xiaoyu	1,557	1,450	-	159	3,166
Dong Hongfu (<i>o</i>)	-	-	-	-	-
Ai Bo	-	-	-	-	-
Wang Xiaoguang (<i>p</i>)	-	-	-	-	-
Lin Xuan	1,462	1,440	-	152	3,054
Zhao Ming	1,196	1,700	-	141	3,037
Total	7,412	5,860	1,485	702	15,459

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

Name	Year ended 31 December 2022				Total remuneration before tax
	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	
Executive Directors					
Wang Changqing (<i>Chairman</i>)	2,103	1,700	–	152	3,955
Li Geping (<i>General Manager</i>) (<i>b</i>)	1,983	1,800	–	152	3,935
Non-executive Directors					
Yu Zhongfu (<i>e</i>)	–	–	–	–	–
Wang Xiaolin (<i>f</i>)	–	–	–	–	–
Zhang Qin (<i>e</i>)	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Zhang Wei (<i>g</i>)	–	–	–	–	–
Yang Dong	–	–	–	–	–
Wang Hua	–	–	–	–	–
Independent Non-executive Directors					
Dai Deming (<i>h</i>)	–	–	280	–	280
Bai Jianjun (<i>i</i>)	–	–	275	–	275
Liu Qiao (<i>j</i>)	–	–	275	–	275
Pu Weiguang	–	–	335	–	335
Lai Guanrong	–	–	340	–	340
Zhou Chengyue (<i>k</i>)	–	–	–	–	–
Zhang Zheng (<i>l</i>)	–	–	85	–	85
Wu Xi (<i>m</i>)	–	–	85	–	85
Supervisors					
Zhou Xiaoyu	1,551	1,800	–	152	3,503
Lin Xuan	1,455	1,800	–	147	3,402
Zhao Ming	1,186	2,500	–	137	3,823
Ai Bo	–	–	–	–	–
Zhao Lijun (<i>q</i>)	–	–	–	–	–
Wang Xiaoguang (<i>p</i>)	–	–	–	–	–
Total	8,278	9,600	1,675	740	20,293

Except for the remuneration shown above, directors and supervisors received the following deferred bonuses in 2023 and 2022:

For the year ended 31 December 2023, Executive Director Wang Changqing received deferred bonuses of RMB0.97 million, Executive Director Li Geping received deferred bonuses of RMB1.37 million, Supervisor Zhou Xiaoyu received deferred bonuses of RMB1.41 million, Supervisor Lin Xuan received deferred bonuses of RMB1.36 million, Supervisor Zhao Ming received deferred bonuses of RMB1.21 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

For the year ended 31 December 2022, Executive Director Wang Changqing received deferred bonuses of RMB2.00 million, Executive Director Li Geping received deferred bonuses of RMB2.00 million, Supervisor Zhou Xiaoyu received deferred bonuses of RMB1.70 million, Supervisor Lin Xuan received deferred bonuses of RMB1.70 million, Supervisor Zhao Ming received deferred bonuses of RMB0.56 million.

In 2023 and 2022, no directors and supervisors waived their remuneration. For non-executive directors and supervisors whose pre-tax remuneration were not paid by the Group was shown as zero in the above tables.

- (a) Zou Yingguang was appointed as executive director in November 2023.
- (b) Li Geping resigned as general manager and executive director in June 2023.
- (c) Li Min and Yan Xiaolei were appointed as non-executive director in May 2023.
- (d) Wu Ruilin was appointed as non-executive director in April 2023.
- (e) Yu Zhongfu and Zhang Qin resigned as non-executive director in March 2023.
- (f) Wang Xiaolin resigned as non-executive director in March 2023.
- (g) Zhang Wei resigned as non-executive director in April 2023.
- (h) Dai Deming resigned as independent non-executive director in September 2022.
- (i) Bai Jianjun resigned as independent non-executive director in September 2022.
- (j) Liu Qiao resigned as independent non-executive director in September 2022.
- (k) Zhou Chengyue was appointed as independent non-executive director in September 2022, and resigned as independent non-executive director in May 2023.
- (l) Zhang Zheng was appointed as independent non-executive director in September 2022.
- (m) Wu Xi was appointed as independent non-executive director in September 2022.
- (n) Zheng Wei was appointed as independent non-executive director in October 2023.
- (o) Dong Hongfu was appointed as supervisor in May 2023.
- (p) Wang Xiaoguang was appointed as supervisor in June 2022.
- (q) Zhao Lijun resigned as supervisor in June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(2) Other benefits and rights of directors and supervisors

For each of the years ended 31 December 2023 and 31 December 2022, no emoluments were paid by the Group to any of the persons who were directors, or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for the contributions to social pension schemes and corporate pension schemes, there were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' and supervisors' services.

For each of the years ended 31 December 2023 and 31 December 2022, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly. In addition, the Group did not provide any guarantees or securities to certain controlled body corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

12 FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2023 and 31 December 2022, the five highest paid employees excluded directors and supervisors are as follows:

	Year ended 31 December	
	2023	2022
Salaries, allowances and other benefits	10,781	7,188
Discretionary bonuses	12,424	8,250
Discretionary deferred bonuses	14,778	44,142
Retirement benefits	630	730
Total	<u>38,613</u>	<u>60,310</u>

The number of these individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2023	2022
RMB7,000,001 to RMB8,000,000 yuan	4	–
RMB8,000,001 to RMB9,000,000 yuan	1	–
RMB9,000,001 to RMB10,000,000 yuan	–	1
RMB11,000,001 to RMB12,000,000 yuan	–	1
RMB12,000,001 to RMB13,000,000 yuan	–	1
RMB13,000,001 to RMB14,000,000 yuan	–	1
RMB14,000,001 to RMB15,000,000 yuan	–	1
Total	<u>5</u>	<u>5</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

12 FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

For the year ended 31 December 2023, the remuneration of these individuals above includes 2019 pre-tax deferred bonus paid in 2023. For the year ended 31 December 2022, the remuneration of these individuals above includes 2015, 2016 and 2018 pre-tax deferred bonus paid in 2022.

For each of the years ended 31 December 2023 and 31 December 2022, no remunerations were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 CREDIT IMPAIRMENT (REVERSALS)/LOSSES

	Year ended 31 December	
	2023	2022
Margin accounts	83,544	86,335
Financial assets held under resale agreements	(174)	(112,159)
Financial assets at fair value through other comprehensive income	(245,275)	319,638
Others	31,562	(9,011)
Total	<u>(130,343)</u>	<u>284,803</u>

14 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December	
	2023	2022
Current income tax		
– Mainland China	813,505	2,214,212
– Outside Mainland	4,052	9,976
Subtotal	817,557	2,224,188
Deferred income tax	506,866	(281,544)
Total	<u>1,324,423</u>	<u>1,942,644</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

14 INCOME TAX EXPENSE (CONTINUED)

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2023	2022
Profit before income tax	8,371,769	9,472,226
Income tax at the PRC statutory income tax rate	2,092,942	2,368,057
Effects of different applicable rates of tax prevailing in various jurisdictions	(90,452)	(62,350)
Non-deductible expenses	77,331	77,731
Non-taxable income	(470,027)	(350,332)
Others	(285,371)	(90,462)
Income tax expenses at the Group's effective income tax rate	1,324,423	1,942,644

15 DIVIDENDS

	Year ended 31 December	
	2023	2022
Dividends on ordinary shares proposed and paid	2,094,308	3,063,894
Distribution to other equity instrument holders (Note 16(1))	983,750	852,252

A cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares related to the year of 2022 amounting to RMB2,094 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2023. All dividends were distributed on 22 August 2023.

A cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares related to the year of 2021 amounting to RMB3,064 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 28 June 2022. All dividends were distributed on 18 August 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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16 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2023	2022
Earnings:		
Profit attributable to equity holders of the Company	7,034,486	7,519,428
Less: Profit attributable to other equity instrument holders of the Company (1)	<u>(983,750)</u>	<u>(852,252)</u>
Profit attributable to ordinary equity holders of the Company	<u>6,050,736</u>	<u>6,667,176</u>
Shares:		
Weighted average number of ordinary shares in issue (thousand) (Note 44)	<u>7,756,695</u>	<u>7,756,695</u>
Basic and diluted earnings per share (in RMB yuan)	<u>0.78</u>	<u>0.86</u>

There were no dilutive shares during the year ended 31 December 2023 (year ended 31 December 2022: None). Therefore, diluted earnings per share is equal to basic earnings per share.

- (1) As of 31 December 2023, there were six tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 45 Other equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

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FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2023	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
Increases	-	360,150	1,815	250	18,829	1,443	449	382,936
Decreases	(14,400)	(59,540)	(2,713)	(547)	(4,069)	(622)	(3,038)	(84,929)
31 December 2023	423,583	1,383,317	34,430	4,354	72,484	11,073	34,565	1,963,806
Accumulated depreciation								
1 January 2023	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
Increases	(11,660)	(226,826)	(1,130)	(319)	(3,935)	(1,005)	(467)	(245,342)
Decreases	6,762	59,585	2,632	531	4,067	604	3,032	77,213
31 December 2023	(178,455)	(860,213)	(29,421)	(3,494)	(51,547)	(6,746)	(34,001)	(1,163,877)
Net carrying amount								
31 December 2023	245,128	523,104	5,009	860	20,937	4,327	564	799,929

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2022	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Increases	16,792	187,400	1,421	184	1,701	2,677	5	210,180
Decreases	-	(55,821)	(1,123)	(346)	(21,209)	(655)	-	(79,154)
31 December 2022	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
Accumulated depreciation								
1 January 2022	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Increases	(19,406)	(214,667)	(981)	(342)	(3,308)	(687)	(1,802)	(241,193)
Decreases	-	56,055	1,089	268	21,193	605	-	79,210
31 December 2022	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
Net carrying amount								
31 December 2022	264,426	389,735	4,405	945	6,045	3,907	588	670,051

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2023	2,703,049	283,004	2,986,053
Increases	226,675	42,338	269,013
Decreases	(220,614)	(251)	(220,865)
Foreign currency translation differences	2,912	–	2,912
31 December 2023	<u>2,712,022</u>	<u>325,091</u>	<u>3,037,113</u>
Accumulated depreciation			
1 January 2023	(978,410)	(152,255)	(1,130,665)
Increases	(575,389)	(47,782)	(623,171)
Decreases	196,126	235	196,361
Foreign currency translation differences	(2,055)	–	(2,055)
31 December 2023	<u>(1,359,728)</u>	<u>(199,802)</u>	<u>(1,559,530)</u>
Carrying amount			
31 December 2023	<u>1,352,294</u>	<u>125,289</u>	<u>1,477,583</u>
Properties and buildings			
	Properties and buildings	Others	Total
Cost			
1 January 2022	2,342,235	259,637	2,601,872
Increases	617,194	24,493	641,687
Decreases	(276,676)	(1,126)	(277,802)
Foreign currency translation differences	20,296	–	20,296
31 December 2022	<u>2,703,049</u>	<u>283,004</u>	<u>2,986,053</u>
Accumulated depreciation			
1 January 2022	(668,905)	(110,206)	(779,111)
Increases	(532,083)	(42,679)	(574,762)
Decreases	231,932	630	232,562
Foreign currency translation differences	(9,354)	–	(9,354)
31 December 2022	<u>(978,410)</u>	<u>(152,255)</u>	<u>(1,130,665)</u>
Carrying amount			
31 December 2022	<u>1,724,639</u>	<u>130,749</u>	<u>1,855,388</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2023	1,293,447	74,694	1,368,141
Increases	373,184	2,081	375,265
Decreases	(10,575)	(1,400)	(11,975)
Foreign currency translation differences	479	13	492
31 December 2023	<u>1,656,535</u>	<u>75,388</u>	<u>1,731,923</u>
Accumulated amortization			
1 January 2023	(628,160)	(69,600)	(697,760)
Increases	(216,959)	–	(216,959)
Decreases	10,356	–	10,356
Foreign currency translation differences	(309)	–	(309)
31 December 2023	<u>(835,072)</u>	<u>(69,600)</u>	<u>(904,672)</u>
Net carrying amount			
31 December 2023	<u>821,463</u>	<u>5,788</u>	<u>827,251</u>

	Software	Trading seat rights and others	Total
Cost			
1 January 2022	984,043	74,618	1,058,661
Increases	317,605	–	317,605
Decreases	(10,518)	–	(10,518)
Foreign currency translation differences	2,317	76	2,393
31 December 2022	<u>1,293,447</u>	<u>74,694</u>	<u>1,368,141</u>
Accumulated amortization			
1 January 2022	(469,928)	(69,600)	(539,528)
Increases	(165,533)	–	(165,533)
Decreases	8,782	–	8,782
Foreign currency translation differences	(1,481)	–	(1,481)
31 December 2022	<u>(628,160)</u>	<u>(69,600)</u>	<u>(697,760)</u>
Net carrying amount			
31 December 2022	<u>665,287</u>	<u>5,094</u>	<u>670,381</u>

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20 INVESTMENTS IN SUBSIDIARIES

	31 December 2023	31 December 2022
Investments in subsidiaries	11,700,844	11,550,844

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights		Directly/ Indirectly hold	Principal activities
				As at 31 December 2023	2022		
China Futures Co., Ltd.	Chongqing	Chongqing	RMB1,400 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd.	Beijing	Beijing	RMB3,500 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. (i)	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd. (ii)	Beijing	Beijing	RMB450 million	100%	100%	Directly	Funds business, asset management
China Securities Investment Co., Ltd.	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.

(ii) In July 2023, the Company increased its investment of RMB150 million in China Fund Management Co., Ltd.

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(In RMB thousands, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES

	31 December 2023	31 December 2022
Investments in associates	114,656	107,524

The following table illustrates details of investments in associates:

Name	1 January 2023	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current year	31 December 2023
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,945	-	-	6,175	-	-	59,120
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	27,102	-	-	1,345	(275)	-	28,172
Beijing Equity Trading Center Co., Ltd.	27,477	-	-	(113)	-	-	27,364
Total	107,524	-	-	7,407	(275)	-	114,656

Name	1 January 2022	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current year	31 December 2022
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,777	-	-	8,868	(8,700)	-	52,945
Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd.	24,012	-	-	3,090	-	-	27,102
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	8,307	-	(8,244)	(63)	-	-	-
Beijing Equity Trading Center Co., Ltd.	25,906	-	-	1,571	-	-	27,477
Total	111,002	-	(8,244)	13,466	(8,700)	-	107,524

- (1) As at 31 December 2023 and 31 December 2022, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.
- (2) Zhongguancun Equity Trading Service Group Co., Ltd. was renamed as Beijing Shunlong Zhiyuan Enterprise Management Consulting Co., Ltd. on 22 February 2023.

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FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023	31 December 2022
Non-current		
Financial assets at fair value through profit or loss		
Debt instruments	30,729	40,683
Equity investments	8,805,845	8,149,588
Fund investments	209,516	–
Others	988,587	971,083
Subtotal	10,034,677	9,161,354
Analyzed into:		
Listed in Hong Kong	124,451	70,306
Listed outside Hong Kong	2,074,824	2,561,213
Unlisted	7,835,402	6,529,835
Subtotal	10,034,677	9,161,354
Current		
Financial assets at fair value through profit or loss		
Debt instruments	108,888,273	91,226,131
Equity investments	32,213,562	26,109,919
Fund investments	15,373,903	24,538,156
Others	47,682,004	36,275,580
Subtotal	204,157,742	178,149,786
Analyzed into:		
Listed in Hong Kong	7,929,853	8,185,835
Listed outside Hong Kong	162,124,079	133,503,163
Unlisted	34,103,810	36,460,788
Subtotal	204,157,742	178,149,786
Total	214,192,419	187,311,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 31 December 2023, the fair value of financial assets pledged as collateral for repurchase agreements (Note 37), futures business and securities borrowing business by the Group were RMB86,451.14 million (31 December 2022: RMB80,787.46 million).

As at 31 December 2023, the above financial assets at fair value through profit or loss held by the Group included the outstanding balance of the securities lent of RMB728.40 million (31 December 2022: RMB2,884.40 million).

As at 31 December 2023, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB3,448.55 million (31 December 2022: RMB3,895.28 million).

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Current		
Debt instruments	75,736,268	70,629,668
Equity instruments	65,588	90,311
Total	75,801,856	70,719,979
Analyzed into:		
Listed in Hong Kong	8,806,920	6,328,925
Listed outside Hong Kong	66,994,936	64,391,054
Total	75,801,856	70,719,979

- (i) As at 31 December 2023, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 37), placements from CSF (Note 38), and securities borrowing business were RMB54,263.50 million (31 December 2022: RMB60,428.15 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2023	31 December 2022
Non-current		
Analyzed by collateral:		
Stock	30,046	5,009
Allowance for impairment losses	(159)	(141)
Subtotal	29,887	4,868
Current		
Analyzed by collateral:		
Debts	8,946,148	20,659,777
Stock	5,495,599	5,294,441
Others	–	121,744
	14,441,747	26,075,962
Allowance for impairment losses	(529,338)	(529,530)
Subtotal	13,912,409	25,546,432
Total	13,942,296	25,551,300

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	31 December 2023	31 December 2022
Collateral received	20,061,681	31,549,810
Including: Collateral allowed to be re-pledged	–	–
Including: Collateral re-pledged	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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25 REFUNDABLE DEPOSITS

	31 December 2023	31 December 2022
Performance bonds	12,107,366	9,241,697
Trading deposits	584,114	1,582,565
Credit deposits	50,011	56,898
Total	<u>12,741,491</u>	<u>10,881,160</u>

26 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities before offset are as follows:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2023	1,114,296	75,560	616,653	461,640	86,428	2,354,577
Credited/(debited) to the consolidated income statement	(85,971)	(3,299)	(32,027)	(81,123)	13,989	(188,431)
(Debited) to other comprehensive income	-	(45,784)	(154)	(1,381)	(4,269)	(51,588)
31 December 2023	<u>1,028,325</u>	<u>26,477</u>	<u>584,472</u>	<u>379,136</u>	<u>96,148</u>	<u>2,114,558</u>

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Lease liabilities	Others	Total
1 January 2022	1,163,789	170,755	547,966	-	85,334	1,967,844
Credited/(debited) to the consolidated income statement	(49,493)	(156,724)	68,543	461,640	(4,311)	319,655
Credited to other comprehensive income	-	61,529	144	-	5,405	67,078
31 December 2022	<u>1,114,296</u>	<u>75,560</u>	<u>616,653</u>	<u>461,640</u>	<u>86,428</u>	<u>2,354,577</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax liabilities	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2023	1,066,553	454,779	1,657	1,522,989
Debited/(credited) to the consolidated income statement	409,578	(91,183)	40	318,435
Debited/(credited) to other comprehensive income	12,928	(1,322)	44	11,650
31 December 2023	1,489,059	362,274	1,741	1,853,074

Deferred tax liabilities	Fair value changes of financial instruments	Right-of-use assets	Others	Total
1 January 2022	1,523,839	–	1,477	1,525,316
Debited/(credited) to the consolidated income statement	(411,447)	454,779	42	43,374
Debited/(credited) to other comprehensive income	(45,839)	–	138	(45,701)
31 December 2022	1,066,553	454,779	1,657	1,522,989

Net balances of deferred tax assets or liabilities after offset

Item	31 December 2023		31 December 2022	
	Deferred tax assets and liabilities offset amount	Deferred tax assets or liabilities net balances after offset	Deferred tax assets and liabilities offset amount	Deferred tax assets or liabilities net balances after offset
Deferred tax assets	(1,686,242)	428,316	(1,211,128)	1,143,449
Deferred tax liabilities	(1,686,242)	166,832	(1,211,128)	311,861

27 OTHER NON-CURRENT ASSETS

As at 31 December 2023 and 31 December 2022, other non-current assets of the Group primarily represented long-term deferred expenses incurred on leasehold improvements of property, plant and equipment and network engineering projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

28 MARGIN ACCOUNTS

	31 December 2023	31 December 2022
Margin accounts		
– Individuals	46,158,352	41,865,270
– Institutions	11,595,743	12,281,153
	57,754,095	54,146,423
Allowance for impairment losses	(1,361,523)	(1,275,828)
Total	56,392,572	52,870,595

Margin accounts are funds that the Group provided to clients in margin financing and securities lending. As at 31 December 2023 and 31 December 2022, no margin accounts were pledged of the Group.

As at 31 December 2023, the fair value of securities lent was RMB3,129.56 million (31 December 2022: RMB8,080.08 million).

As at 31 December 2023, the Group received collateral with fair value amounted to RMB180,860.81 million (31 December 2022: RMB183,895.24 million), in connection with its margin financing and securities lending.

29 ACCOUNTS RECEIVABLE

	31 December 2023	31 December 2022
Derivative business receivables	7,896,145	9,724,087
Clearing funds receivable	912,684	580,036
Asset and fund management fee receivable	147,189	158,069
Others	740,112	372,678
	9,696,130	10,834,870
Allowance for impairment losses (i)	(15,908)	(9,289)
Total	9,680,222	10,825,581

(i) ECL on accounts receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach. ECL on the rest of accounts receivable is measured using the general approach and as at 31 December 2023, accounts receivable measured using general approach were classified under Stage 1 (31 December 2022: Stage 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

29 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

	As at 31 December 2023			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	9,650,036	99.52%	(1,105)	6.94%
1 to 2 years	25,357	0.26%	(2,526)	15.88%
2 to 3 years	6,469	0.07%	(1,369)	8.61%
More than 3 years	14,268	0.15%	(10,908)	68.57%
Total	9,696,130	100.00%	(15,908)	100.00%

	As at 31 December 2022			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	10,802,954	99.71%	(671)	7.23%
1 to 2 years	17,697	0.16%	(559)	6.02%
2 to 3 years	3,309	0.03%	(449)	4.84%
More than 3 years	10,910	0.10%	(7,610)	81.91%
Total	10,834,870	100.00%	(9,289)	100.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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30 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2023		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	390,754,943	4,686	10
Equity derivatives	292,058,989	3,550,180	3,606,161
Currency derivatives	158,749,720	73,001	501,035
Credit derivatives	981,000	17,773	262
Others	88,330,218	539,511	253,090
Total	930,874,870	4,185,151	4,360,558

	As at 31 December 2022		
	Nominal value	Fair value	
		Assets	Liabilities
Interest rate derivatives	325,658,910	39,117	1,356
Equity derivatives	153,354,962	2,506,474	3,057,008
Currency derivatives	67,956,103	6,416	50,081
Credit derivatives	450,000	1,014	1,157
Others	45,838,046	310,395	148,942
Total	593,258,021	2,863,416	3,258,544

Under the “Daily Mark-to-Market and Settlement Arrangement”, the Group’s future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in Consolidated profit or loss and the account captioned “cash and bank balances”. As at 31 December 2023, the fair value of the Group’s unexpired futures contracts was at losses of RMB201.16 million (31 December 2022: losses of RMB87.70 million).

31 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 34). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the “Securities and Futures (Client Money) Rules” under the Securities and Futures Ordinance have imposed similar restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

32 CASH AND BANK BALANCES

	31 December 2023	31 December 2022
Deposits in banks	36,620,725	38,944,880

As at 31 December 2023, the Group had restricted deposits of RMB546.54 million (31 December 2022: RMB376.43 million).

33 OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Prepaid income tax	671,131	–
Commodity Inventories	66,024	51,442
Interest receivable (i)	51,880	110,521
Prepaid expenses	20,887	14,273
Deferred expenses	4,748	37,523
Others	455,458	590,282
	1,270,128	804,041
Allowance for impairment losses	(74,246)	(48,530)
Total	1,195,882	755,511

(i) As at 31 December 2023 and 31 December 2022, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represents the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash Held on Behalf of Clients (Note 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

35 LEASE LIABILITIES

	31 December 2023	31 December 2022
Current		
Lease liabilities	480,880	512,432
Non-current		
Lease liabilities	1,065,204	1,371,584
Total	1,546,084	1,884,016

As at 31 December 2023 and 31 December 2022, the cash outflow of lease contracts signed by the Group but lease not yet commenced are insignificant.

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023	31 December 2022
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	1,429,579	1,309,424
– Others	585	123,201
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	3,754,899	5,008,755
– Others	–	50,000
Subtotal	5,185,063	6,491,380
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes (i)	4,959,247	5,815,574
Subtotal	4,959,247	5,815,574
Total	10,144,310	12,306,954

(i) As at 31 December 2023 and 31 December 2022, the structured notes held by the Group were mainly linked to equity indexes.

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37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2023	31 December 2022
Current		
Analysed by collateral:		
Debt securities (Notes 22 and 23)	108,639,876	106,308,102
Gold	6,006,876	6,100,473
Others (Notes 22)	14,814,976	9,745,376
Total	129,461,728	122,153,951

As at 31 December 2023 and 31 December 2022, other collaterals were the standard bonds for pledge-style quotation-driven repurchase.

38 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Current		
Placements from CSF (Notes 23)	1,503,960	7,524,085
Placements from banks	400,088	1,200,484
Total	1,904,048	8,724,569

39 TAXES PAYABLE

	31 December 2023	31 December 2022
Current		
Income tax	111,423	710,638
Value added tax	40,256	121,048
Others	212,286	109,626
Total	363,965	941,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

40 SHORT-TERM BORROWINGS

	31 December 2023	31 December 2022
Current		
Analyzed by nature:		
Credit borrowings	473,460	1,243,577

As at 31 December 2023 and 31 December 2022, the Group had fixed-rate borrowings which carried interest rate from 3.20% to 6.37% and 3.20% to 6.40%.

As at 31 December 2023 and 31 December 2022, the Group does not provide collateral for its short-term borrowings.

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Short-term commercial paper									
22 CSC CP003	3,000,000	3,000,000	25/07/2022	23/05/2023	2.14%	3,028,142	24,976	3,053,118	-
22 CSC CP004	3,000,000	3,000,000	27/07/2022	18/01/2023	1.92%	3,024,934	2,683	3,027,617	-
22 CSC CP005	3,000,000	3,000,000	26/09/2022	09/06/2023	1.96%	3,015,626	25,614	3,041,240	-
22 CSC CP006	3,000,000	3,000,000	28/09/2022	20/06/2023	2.04%	3,015,929	28,504	3,044,433	-
22 CSC CP007	2,000,000	2,000,000	12/12/2022	08/09/2023	2.74%	2,003,003	37,534	2,040,537	-
22 CSC CP008	2,000,000	2,000,000	15/12/2022	15/09/2023	3.00%	2,002,795	42,247	2,045,042	-
23 CSC CP001	2,500,000	2,500,000	09/01/2023	13/10/2023	2.55%	-	2,548,380	2,548,380	-
23 CSC CP002	2,000,000	2,000,000	17/01/2023	12/01/2024	2.78%	-	2,053,163	-	2,053,163
23 CSC CP003	3,000,000	3,000,000	14/02/2023	07/02/2024	2.72%	-	3,071,763	-	3,071,763
23 CSC CP004	3,000,000	3,000,000	20/02/2023	22/08/2023	2.57%	-	3,038,656	3,038,656	-
23 CSC CP005	1,000,000	1,000,000	28/02/2023	29/08/2023	2.65%	-	1,013,214	1,013,214	-
23 CSC CP006	2,000,000	2,000,000	09/03/2023	29/08/2023	2.62%	-	2,024,768	2,024,768	-
23 CSC CP007	3,000,000	3,000,000	16/03/2023	12/03/2024	2.78%	-	3,066,492	-	3,066,492
23 CSC CP008	3,000,000	3,000,000	24/03/2023	22/09/2023	2.57%	-	3,038,339	3,038,339	-
23 CSC CP009	2,000,000	2,000,000	29/03/2023	22/03/2024	2.72%	-	2,041,433	-	2,041,433
23 CSC CP010	3,500,000	3,500,000	11/04/2023	08/11/2023	2.58%	-	3,552,058	3,552,058	-
23 CSC CP011	3,000,000	3,000,000	25/05/2023	23/02/2024	2.39%	-	3,043,413	-	3,043,413
23 CSC CP012	3,000,000	3,000,000	21/06/2023	23/04/2024	2.42%	-	3,038,587	-	3,038,587
23 CSC CP013	2,500,000	2,500,000	28/06/2023	27/06/2024	2.45%	-	2,531,380	-	2,531,380
23 CSC CP014	3,000,000	3,000,000	18/09/2023	13/09/2024	2.51%	-	3,021,662	-	3,021,662
Short-term corporate bond									
23 Xintou S1	5,000,000	5,000,000	24/11/2023	24/11/2024	2.69%	-	5,015,293	12,453	5,002,840
23 Xintou S2	5,500,000	5,500,000	19/12/2023	19/12/2024	2.76%	-	5,505,959	15,566	5,490,393
Structured notes //						3,450,819	8,596,234	6,706,520	5,340,533
Total						19,541,248	56,362,352	38,201,941	37,701,659

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41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Short-term commercial paper									
21 CSC CP014	3,000,000	3,000,000	17/09/2021	16/09/2022	2.75%	3,023,959	58,315	3,082,274	-
21 CSC CP015	3,000,000	3,000,000	24/09/2021	24/06/2022	2.75%	3,022,377	39,328	3,061,705	-
21 CSC CP016	2,000,000	2,000,000	11/11/2021	11/11/2022	2.79%	2,007,797	48,003	2,055,800	-
21 CSC CP017	3,000,000	3,000,000	13/12/2021	09/09/2022	2.68%	3,004,185	55,289	3,059,474	-
22 CSC CP001	2,500,000	2,500,000	27/06/2022	16/12/2022	1.99%	-	2,523,444	2,523,444	-
22 CSC CP002	4,000,000	4,000,000	13/07/2022	09/12/2022	1.93%	-	4,031,515	4,031,515	-
22 CSC CP003	3,000,000	3,000,000	25/07/2022	23/05/2023	2.14%	-	3,028,142	-	3,028,142
22 CSC CP004	3,000,000	3,000,000	27/07/2022	18/01/2023	1.92%	-	3,024,934	-	3,024,934
22 CSC CP005	3,000,000	3,000,000	26/09/2022	09/06/2023	1.96%	-	3,015,626	-	3,015,626
22 CSC CP006	3,000,000	3,000,000	28/09/2022	20/06/2023	2.04%	-	3,015,929	-	3,015,929
22 CSC CP007	2,000,000	2,000,000	12/12/2022	08/09/2023	2.74%	-	2,003,003	-	2,003,003
22 CSC CP008	2,000,000	2,000,000	15/12/2022	15/09/2023	3.00%	-	2,002,795	-	2,002,795
Short-term corporate bond									
22 Xintou S1	1,000,000	1,000,000	22/07/2022	21/10/2022	1.78%	-	1,004,438	1,004,438	-
22 Xintou S2	1,000,000	1,000,000	06/09/2022	06/12/2022	1.70%	-	1,006,125	1,006,125	-
Structured notes ⁽ⁱ⁾						<u>7,231,861</u>	<u>24,252,554</u>	<u>28,033,596</u>	<u>3,450,819</u>
Total						<u>18,290,179</u>	<u>49,109,440</u>	<u>47,858,371</u>	<u>19,541,248</u>

As at 31 December 2023 and 31 December 2022, there were no defaults related to any short-term financing instruments payable by the Group.

As at 31 December 2023 and 31 December 2022, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB432.15 million and RMB119.03 million, respectively.

- (i) As at 31 December 2023 and 31 December 2022, the fixed annual interest rate ranges of the structured notes issued by the Group are 1.55% to 6.30% and 1.70% to 5.10%, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Bonds in issue with maturity within one year (Note 43)	22,150,473	39,571,541
Derivative business payables	21,855,545	21,818,585
Salaries, bonuses and allowances payable	4,505,829	4,349,541
Amounts due to other holders of consolidated structured entities at fair value	1,296,501	1,100,279
Accounts payable to underwriting clients	1,262,679	606,803
Settlement deposits payable	775,498	1,584,605
Dividends payable (Note 15 and 45)	582,841	582,841
Futures settlement risk funds payable	226,964	181,735
Provision	127,424	51,199
Securities investor protection fund payable	40,133	41,266
Funds payable to securities holders	5,956	5,980
Others	4,702,134	4,143,108
Total	57,531,977	74,037,483

43 BONDS IN ISSUE

	31 December 2023	31 December 2022
Corporate bonds in issue	56,614,365	33,032,622
Subordinated bonds in issue	21,333,886	24,480,593
Structured notes in issue	2,695,720	4,697,223
Total	80,643,971	62,210,438

- (1) As at 31 December 2023 and 31 December 2022, there were no defaults related to any bonds in issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Corporate bond										
20 Xintou G1 (iii)	5,000,000	5,000,000	11/03/2020	11/03/2023	Pay annually	2.94%	5,117,734	29,266	5,147,000	-
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,022,822	32,483	31,300	1,024,005
20 Xintou G3 (iii)	3,000,000	3,000,000	15/04/2020	15/04/2023	Pay annually	2.56%	3,053,437	23,363	3,076,800	-
20 Xintou G4 (iii)	3,000,000	3,000,000	14/07/2020	14/07/2023	Pay annually	3.55%	3,047,628	58,872	3,106,500	-
20 Xintou G5 (iii)	4,500,000	4,500,000	28/07/2020	28/07/2023	Pay annually	3.46%	4,564,084	91,616	4,655,700	-
22 Xintou F1	1,000,000	1,000,000	26/09/2022	26/09/2027	Pay annually	2.65%	1,006,147	26,681	26,500	1,006,328
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	5,021,688	153,531	151,000	5,024,219
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	1,002,712	27,343	26,800	1,003,255
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	3,009,920	90,824	89,700	3,011,044
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	2,001,867	52,857	51,000	2,003,724
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	2,002,726	58,882	57,800	2,003,808
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	2,502,399	83,072	82,250	2,503,221
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	1,998,858	63,451	61,600	2,000,709
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	999,551	33,436	32,900	1,000,087
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	1,499,574	53,615	53,250	1,499,939
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	3,993,389	143,292	139,600	3,997,081
23 Xintou F1	500,000	500,000	17/01/2023	17/01/2026	Pay annually	3.20%	-	515,884	1,887	513,997
23 Xintou F2	2,500,000	2,500,000	17/01/2023	17/01/2028	Pay annually	3.35%	-	2,581,779	9,434	2,572,345
23 Xintou F3	1,500,000	1,500,000	27/02/2023	27/02/2025	Pay annually	3.10%	-	1,541,601	5,660	1,535,941
23 Xintou G2	1,500,000	1,500,000	21/08/2023	21/08/2028	Pay annually	2.97%	-	1,516,623	5,660	1,510,963
23 Xintou G3	2,500,000	2,500,000	21/08/2023	21/08/2033	Pay annually	3.15%	-	2,528,993	9,434	2,519,559
23 Xintou G4	1,000,000	1,000,000	16/10/2023	16/10/2026	Pay annually	2.91%	-	1,006,397	3,774	1,002,623
23 Xintou G5	1,000,000	1,000,000	16/10/2023	16/10/2028	Pay annually	3.10%	-	1,006,689	3,774	1,002,915
23 Xintou G6	1,000,000	1,000,000	16/10/2023	16/10/2033	Pay annually	3.34%	-	1,007,114	3,774	1,003,340
23 Xintou G7	500,000	500,000	27/10/2023	27/10/2026	Pay annually	2.94%	-	502,769	1,887	500,882
23 Xintou G8	500,000	500,000	27/10/2023	27/10/2028	Pay annually	3.13%	-	502,894	1,887	501,007
23 Xintou G9	1,500,000	1,500,000	27/10/2023	27/10/2033	Pay annually	3.35%	-	1,509,174	5,660	1,503,514
23 Xintou 10	1,500,000	1,500,000	20/11/2023	20/11/2026	Pay annually	2.87%	-	1,505,165	5,660	1,499,505
23 Xintou 11	2,300,000	2,300,000	20/11/2023	20/11/2028	Pay annually	3.07%	-	2,308,312	8,679	2,299,633

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Corporate bond										
(continued)										
23 Xintou 13	1,500,000	1,500,000	07/12/2023	07/12/2026	Pay annually	2.95%	-	1,503,125	4,245	1,498,880
23 Xintou 14	2,500,000	2,500,000	07/12/2023	07/12/2028	Pay annually	3.15%	-	2,505,485	7,075	2,498,410
		499,690								
CSCIF A N2508	thousand dollars	thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,497,654	132,494	69,578	3,560,570
	500,000	498,105								
CSCIF A N2406	thousand dollars	thousand dollars	10/06/2021	10/06/2024	Pay semi-annually	1.125%	3,473,315	106,561	39,840	3,540,036
CSCIF A N2504	1,500,000	1,500,000	27/04/2023	27/04/2025	Pay semi-annually	3.15%	-	1,536,335	30,430	1,505,905
CSCIF A N2604	1,500,000	1,500,000	27/04/2023	27/04/2026	Pay semi-annually	3.25%	-	1,536,908	31,183	1,505,725
CNY500,000,000	500,000	500,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	500,569	261	500,308
3.45 per cent.										
Guaranteed										
Notes due 2026										
CNY710,000,000	710,000	710,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	710,808	370	710,438
3.45 per cent.										
Guaranteed										
Notes due 2026										
CNY790,000,000	790,000	790,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	-	790,899	412	790,487
3.45 per cent.										
Guaranteed										
Notes due 2026										
Subordinated bonds										
20 Xintou C2 (iii)	1,000,000	1,000,000	24/11/2020	24/11/2023	Pay annually	4.20%	1,003,248	38,752	1,042,000	-
20 Xintou C4 (iii)	1,000,000	1,000,000	10/12/2020	10/12/2023	Pay annually	4.18%	1,001,338	40,462	1,041,800	-
21 Xintou C2	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,035,523	39,852	38,700	1,036,675
21 Xintou C4	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,029,271	39,953	38,800	1,030,424
21 Xintou C6	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,050,062	76,294	74,000	2,052,356
21 Xintou C8	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,545,628	96,680	93,750	2,548,558
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,522,702	53,958	52,500	1,524,160
21 Xintou 11 (iii)	4,000,000	4,000,000	18/10/2021	18/10/2023	Pay annually	3.43%	4,025,204	111,996	4,137,200	-
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,012,558	76,607	75,000	2,014,165
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,019,264	151,051	147,200	4,023,115
21 Xintou 14 (iii)	2,000,000	2,000,000	25/11/2021	25/11/2023	Pay annually	3.13%	2,003,804	58,796	2,062,600	-
21 Xintou 16 (iii)	3,000,000	3,000,000	17/12/2021	17/12/2023	Pay annually	3.07%	2,999,712	92,388	3,092,100	-

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2023	Increase	Decrease	31 December 2023
Subordinated bonds										
(continued)										
22 Xintou C1	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	4,103,663	121,795	116,000	4,109,458
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	2,060,572	70,104	69,000	2,061,676
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	1,024,375	31,749	30,800	1,025,324
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	2,055,112	70,901	69,800	2,056,213
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	1,021,863	36,429	35,700	1,022,592
23 Xintou C1	1,500,000	1,500,000	30/05/2023	30/05/2025	Pay annually	2.99%	–	1,527,787	4,245	1,523,542
23 Xintou C2	2,000,000	2,000,000	30/05/2023	30/05/2026	Pay annually	3.15%	–	2,038,731	7,547	2,031,184
23 Xintou C3	3,000,000	3,000,000	10/07/2023	10/07/2025	Pay annually	2.86%	–	3,043,153	8,491	3,034,662
23 Xintou C4	1,500,000	1,500,000	10/07/2023	10/07/2026	Pay annually	3.04%	–	1,522,525	4,245	1,518,280
23 Xintou C5	1,000,000	1,000,000	27/07/2023	27/07/2025	Pay annually	2.74%	–	1,012,668	3,774	1,008,894
23 Xintou C6	2,500,000	2,500,000	27/07/2023	27/07/2026	Pay annually	2.95%	–	2,533,252	9,434	2,523,818
23 Xintou C7	1,000,000	1,000,000	15/08/2023	15/08/2025	Pay annually	2.75%	–	1,011,183	3,774	1,007,409
23 Xintou C8	2,500,000	2,500,000	15/08/2023	15/08/2026	Pay annually	3.00%	–	2,529,725	9,434	2,520,291
Structured notes <i>(iv)</i>	17,060,088	17,060,088			see note (iv)		17,452,575	483,447	14,968,777	2,967,245
Total							101,781,979	45,289,400	44,276,935	102,794,444

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Corporate bond										
20 Xintou G1	5,000,000	5,000,000	11/03/2020	11/03/2023	Pay annually	2.94%	5,107,844	156,890	147,000	5,117,734
20 Xintou G2	1,000,000	1,000,000	11/03/2020	11/03/2025	Pay annually	3.13%	1,021,672	32,450	31,300	1,022,822
20 Xintou G3	3,000,000	3,000,000	15/04/2020	15/04/2023	Pay annually	2.56%	3,047,560	82,677	76,800	3,053,437
20 Xintou G4	3,000,000	3,000,000	14/07/2020	14/07/2023	Pay annually	3.55%	3,043,052	111,076	106,500	3,047,628
20 Xintou G5	4,500,000	4,500,000	28/07/2020	28/07/2023	Pay annually	3.46%	4,558,698	161,086	155,700	4,564,084
22 Xintou F1	1,000,000	1,000,000	26/09/2022	26/09/2027	Pay annually	2.65%	-	1,007,090	943	1,006,147
22 Xintou F2	5,000,000	5,000,000	26/09/2022	26/09/2029	Pay annually	3.02%	-	5,040,792	19,104	5,021,688
22 Xintou F3	1,000,000	1,000,000	19/10/2022	19/10/2027	Pay annually	2.68%	-	1,005,542	2,830	1,002,712
22 Xintou F4	3,000,000	3,000,000	19/10/2022	19/10/2029	Pay annually	2.99%	-	3,018,411	8,491	3,009,920
22 Xintou G1	2,000,000	2,000,000	10/11/2022	10/11/2025	Pay annually	2.55%	-	2,007,527	5,660	2,001,867
22 Xintou G2	2,000,000	2,000,000	10/11/2022	10/11/2027	Pay annually	2.89%	-	2,008,386	5,660	2,002,726
22 Xintou G3	2,500,000	2,500,000	10/11/2022	10/11/2032	Pay annually	3.29%	-	2,511,833	9,434	2,502,399
22 Xintou G4	2,000,000	2,000,000	06/12/2022	06/12/2025	Pay annually	3.08%	-	2,004,518	5,660	1,998,858
22 Xintou G5	1,000,000	1,000,000	06/12/2022	06/12/2027	Pay annually	3.29%	-	1,002,381	2,830	999,551
22 Xintou G6	1,500,000	1,500,000	06/12/2022	06/12/2032	Pay annually	3.55%	-	1,503,819	4,245	1,499,574
22 Xintou G7	4,000,000	4,000,000	20/12/2022	20/12/2025	Pay annually	3.49%	-	4,004,710	11,321	3,993,389
	500,000	499,690								
CSCIF A N2508	thousand dollars	thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,198,713	388,095	89,154	3,497,654
	500,000	498,105								
CSCIF A N2406	thousand dollars	thousand dollars	10/06/2021	10/06/2024	Pay semi-annually	1.125%	3,172,670	367,980	67,335	3,473,315
Subordinated bonds										
19 Xintou C1 (iii)	5,500,000	5,500,000	21/01/2019	21/01/2022	Pay annually	4.00%	5,707,566	12,434	5,720,000	-
19 Xintou C2 (iii)	5,000,000	5,000,000	17/04/2019	17/04/2022	Pay annually	4.20%	5,147,340	62,660	5,210,000	-
19 Xintou C3 (iii)	4,000,000	4,000,000	15/05/2019	15/05/2022	Pay annually	4.12%	4,102,516	62,284	4,164,800	-
20 Xintou C1 (iii)	4,000,000	4,000,000	24/11/2020	24/02/2022	Repay at maturity	3.90%	4,170,064	25,256	4,195,320	-
20 Xintou C2	1,000,000	1,000,000	24/11/2020	24/11/2023	Pay annually	4.20%	1,001,959	43,289	42,000	1,003,248
20 Xintou C3 (iii)	5,000,000	5,000,000	10/12/2020	10/03/2022	Repay at maturity	3.84%	5,200,351	38,989	5,239,340	-
20 Xintou C4	1,000,000	1,000,000	10/12/2020	10/12/2023	Pay annually	4.18%	1,000,051	43,087	41,800	1,001,338
21 Xintou C1 (iii)	2,000,000	2,000,000	20/01/2021	20/07/2022	Pay annually	3.50%	2,063,833	40,879	2,104,712	-

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

Name	Notional value	Issuance amount	Interest commencement date	Maturity date	Interest payment method	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Subordinated bonds										
(continued)										
21 Xintou C2	1,000,000	1,000,000	20/01/2021	20/01/2024	Pay annually	3.87%	1,034,404	39,819	38,700	1,035,523
21 Xintou C3 <i>(iii)</i>	3,000,000	3,000,000	19/03/2021	17/06/2022	Repay at maturity	3.40%	3,076,022	51,130	3,127,152	-
21 Xintou C4	1,000,000	1,000,000	19/03/2021	19/03/2024	Pay annually	3.88%	1,028,159	39,912	38,800	1,029,271
21 Xintou C5 <i>(iii)</i>	3,500,000	3,500,000	15/04/2021	15/07/2022	Repay at maturity	3.27%	3,575,881	67,105	3,642,986	-
21 Xintou C6	2,000,000	2,000,000	15/04/2021	15/04/2024	Pay annually	3.70%	2,047,845	76,217	74,000	2,050,062
21 Xintou C7 <i>(iii)</i>	1,000,000	1,000,000	21/06/2021	21/09/2022	Repay at maturity	3.30%	1,015,295	26,023	1,041,318	-
21 Xintou C8	2,500,000	2,500,000	21/06/2021	21/06/2024	Pay annually	3.75%	2,542,798	96,580	93,750	2,545,628
21 Xintou C9 <i>(iii)</i>	4,500,000	4,500,000	12/07/2021	12/10/2022	Repay at maturity	3.05%	4,556,883	114,963	4,671,846	-
21 Xintou 10	1,500,000	1,500,000	12/07/2021	12/07/2024	Pay annually	3.50%	1,521,290	53,912	52,500	1,522,702
21 Xintou 11	4,000,000	4,000,000	18/10/2021	18/10/2023	Pay annually	3.43%	4,021,408	140,996	137,200	4,025,204
21 Xintou 12	2,000,000	2,000,000	18/10/2021	18/10/2024	Pay annually	3.75%	2,011,006	76,553	75,001	2,012,558
21 Xintou 13	4,000,000	4,000,000	28/10/2021	28/10/2024	Pay annually	3.68%	4,015,541	150,923	147,200	4,019,264
21 Xintou 14	2,000,000	2,000,000	25/11/2021	25/11/2023	Pay annually	3.13%	2,000,968	65,436	62,600	2,003,804
21 Xintou 16	3,000,000	3,000,000	17/12/2021	17/12/2023	Pay annually	3.07%	2,998,104	93,708	92,100	2,999,712
22 Xintou C1	4,000,000	4,000,000	21/01/2022	21/01/2024	Pay annually	2.90%	-	4,114,984	11,321	4,103,663
22 Xintou C2	2,000,000	2,000,000	21/01/2022	21/01/2027	Pay annually	3.45%	-	2,066,232	5,660	2,060,572
22 Xintou C3	1,000,000	1,000,000	22/02/2022	22/02/2025	Pay annually	3.08%	-	1,027,205	2,830	1,024,375
22 Xintou C4	2,000,000	2,000,000	22/02/2022	22/02/2027	Pay annually	3.49%	-	2,060,772	5,660	2,055,112
22 Xintou C6	1,000,000	1,000,000	19/04/2022	19/04/2027	Pay annually	3.57%	-	1,025,636	3,773	1,021,863
Financial bonds										
19 CSC Financial Bond 01 <i>(iii)</i>	4,000,000	4,000,000	05/08/2019	05/08/2022	Pay annually	3.52%	4,056,979	83,821	4,140,800	-
Structured notes <i>(iv)</i>	18,350,100	18,350,100			see note (iv)		13,267,512	5,858,228	1,673,165	17,452,575
Total							104,313,984	44,074,296	46,606,301	101,781,979

As at 31 December 2023, the interest payable on bonds included in the book value accrued by the Group based on the effective interest rate method is RMB1,210.18 million (As at 31 December 2022: RMB1,727.00 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

43 BONDS IN ISSUE (CONTINUED)

- (i) These bonds include those maturing within one year and those maturing over one year.
- (ii) As at 31 December 2023, the bonds issued by the Group are not guaranteed except for CSCIF A N2508、CSCIF A N2406、CSCIF A N2504、CSCIF A N2604、CNY500,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026、CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026. As at 31 December 2022, the bonds issued by the Group are not guaranteed except for CSCIF A N2508 and CSCIF A N2406.
- (iii) These bonds were fully redeemed at maturity.
- (iv) As at 31 December 2023, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.55% to 3.40%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

As at 31 December 2022, the Group had structured notes named “Gushouxin series”, “Zhiyingbao series” and “Kanzhangbao series”. These structured notes are not guaranteed and accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.60% to 4.40%. The interest of the structured notes is paid in installments, and the principal is paid at maturity, or both the principal and interest are payable at maturity.

44 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company’s share capital are as follows:

	31 December 2023	31 December 2022
Registered, issued and fully paid ordinary shares of RMB1 each (in thousands)		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	<u>7,756,695</u>	<u>7,756,695</u>

45 OTHER EQUITY INSTRUMENTS

	31 December 2023	31 December 2022
Perpetual subordinated bonds	<u>24,906,528</u>	<u>24,906,528</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

45 OTHER EQUITY INSTRUMENTS (CONTINUED)

Other equity instruments of the Group are as follows:

- In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.
- In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.
- In May 2021, the Company issued the first tranche of perpetual subordinated bonds of 2021 amounted to RMB5 billion.
- In March 2022, the Company issued the first tranche of perpetual subordinated bonds of 2022 amounted to RMB4.5 billion.
- In June 2022, the Company issued the second tranche of perpetual subordinated bonds of 2022 amounted to RMB3.5 billion.
- In August 2022, the Company issued the third tranche of perpetual subordinated bonds of 2022 amounted to RMB2 billion.

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the year mentioned above are as follows:

- The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;
- The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;
- The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;
- The priority over repayment of the above perpetual subordinated bonds is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 31 December 2023, the interest payable of perpetual subordinated bonds was RMB582.84 million (31 December 2022: RMB582.84 million), as at the end of 2023, RMB983.75 million was paid (RMB625.00 million as at the end of 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

46 RESERVES

The amounts of the Group's reserves and the related movements are presented in the consolidated statement of changes in equity.

(1) Capital reserve

Capital reserve primarily includes share premium arising from the issuance of new shares at prices in excess of par value.

(2) Surplus reserves

(i) Statutory surplus reserve

Pursuant to the Company Law of the PRC, the Company is required to appropriate 10% of its profit for the year for the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, if any, and may also be converted into capital of the Company, provided that the balance of the statutory surplus reserve after this capitalization is not less than 25% of the registered capital immediately before capitalization.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its after-tax profit for the year, as determined under China Accounting Standards for Business Enterprises, to its discretionary surplus reserve upon approval by the ordinary equity holders in Annual General Meeting. Subject to the shareholders' approval, the discretionary surplus reserve may be used to offset accumulated losses, if any, and may be converted into capital of the Company.

(3) General reserve

Pursuant to the requirements of regulatory authorities, including the Ministry of Finance and the CSRC, the Company is required to appropriate 10% of its profit for the year for the general risk reserve and 10% for the transaction risk reserve (Note 3.1(23)). Regulatory reserves that are established by subsidiaries and branches in certain countries or jurisdictions outside Mainland China in accordance with the regulatory requirements in their respective territories are also included herein.

(4) Investment revaluation reserve

The investment revaluation reserve represents the fair value changes of financial assets at fair value through other comprehensive income.

(5) Foreign currency translation reserve

The foreign currency translation reserve represents the exchange difference arising from the translation of the financial statements of the subsidiaries incorporated outside Mainland China with functional currencies other than RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

47 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents

	31 December 2023	31 December 2022
Cash and bank balances	36,620,725	38,944,880
Less: Restricted deposits (<i>Note 32</i>)	(546,536)	(376,428)
Interest receivable	(5,962)	(7,498)
Cash and cash equivalents	<u>36,068,227</u>	<u>38,560,954</u>

(2) Changes in liabilities arising from financing

	Short-term borrowings	Short-term financing instruments payable	Bonds in issue	Total
At 1 January 2023	<u>1,243,577</u>	<u>19,541,248</u>	<u>101,781,979</u>	<u>122,566,804</u>
Changes from financing cashflows				
Proceeds from issuance	8,478,717	56,804,711	42,110,088	107,393,516
Repayment of borrowings	(9,201,668)	(38,761,041)	(40,650,000)	(88,612,709)
Interest paid	(32,398)	(581,678)	(3,447,651)	(4,061,727)
Others	-	(524)	(152,480)	(153,004)
Other non-cash changes				
Interest expenses	28,400	869,143	3,048,471	3,946,014
Exchange differences	(43,168)	(170,200)	110,029	(103,339)
Others	-	-	(5,992)	(5,992)
At 31 December 2023	<u>473,460</u>	<u>37,701,659</u>	<u>102,794,444</u>	<u>140,969,563</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

47 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(2) Changes in liabilities arising from financing (Continued)

	Short-term borrowings	Short-term financing instruments payable	Bonds in issue	Total
At 1 January 2022	987,374	18,290,179	104,313,985	123,591,538
Changes from financing cashflows				
Proceeds from issuance	8,700,475	48,645,956	40,250,000	97,596,431
Repayment of borrowings	(8,567,548)	(47,424,941)	(43,100,100)	(99,092,589)
Interest paid	(17,070)	(442,325)	(3,385,307)	(3,844,702)
Others	–	(981)	(30,984)	(31,965)
Other non-cash changes				
Interest expenses	22,004	470,579	3,177,324	3,669,907
Exchange differences	118,342	2,781	569,784	690,907
Others	–	–	(12,723)	(12,723)
At 31 December 2022	<u>1,243,577</u>	<u>19,541,248</u>	<u>101,781,979</u>	<u>122,566,804</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them.

(1) Structured entities included in consolidated financial statements

Considering that the Company or its subsidiaries acts as either the investment manager for the structured entities, or as principal in investing in part of the shares issued by the structured entities, bearing most or all the risk of the products and obtaining most or all of the variable returns, the Group therefore consolidated these structured entities in its consolidated financial statements.

As at 31 December 2023 and 31 December 2022, total assets of consolidated structured entities, the Group's investments and maximum exposure arising from its investments in consolidated structured entities are as follows:

	31 December 2023	31 December 2022
Total assets	6,107,982	8,328,447
Investments	4,652,507	6,743,730
Maximum exposure	4,530,015	6,853,562

(2) Interests in unconsolidated structured entities

(i) Structured entities sponsored by the Group

Unconsolidated structured entities sponsored by the Group primarily include asset management plans and investment funds sponsored by the Group. As the manager of these structured entities, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment plan related to each structured entity. The interests held by the Group in these unconsolidated structured entities primarily include investments held directly and/or management fees, commission and performance fee earned from managed structured entities. The Group concluded that it acted as an agent rather than a principal based on its assessment of the variable return derived from these structured entities. Therefore, these structured entities are not consolidated by the Group.

For the year ended 31 December 2023, the Group earned management fee, commission and performance fee amounted to RMB898.11 million (31 December 2022: RMB1,293.69 million) from these unconsolidated structured entities sponsored by the Group, for which the Group held no interest in during and as at the end of the reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(2) Interests in unconsolidated structured entities (Continued)

(i) Structured entities sponsored by the Group (Continued)

As at 31 December 2023 and 31 December 2022, the maximum exposure and the carrying amount of relevant balance sheet items of the Group arising from these unconsolidated structured entities, for which the Group held interests in as at the end of the reporting year, were set out as below:

	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss		
– Carrying amount	8,177,908	6,197,813
– Maximum exposure	8,285,065	6,277,668

(ii) Structured entities sponsored by third party financial institutions

As at 31 December 2023 and 31 December 2022, the amount of maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities sponsored by third party financial institutions were equal, which set out as below:

	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	59,869,290	58,518,953

49 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase transactions. The counterparties are allowed to re-pledge those securities sold under repurchase transactions in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return part of collateral or be required to place additional collateral. For the above transactions, the Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them. A financial liability is recognized for cash received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
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49 TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances be required to return part of collateral or require counterparties to place additional collateral. For the above transactions, the Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition. For the year ended 31 December 2023 and 31 December 2022, the Group did not have any eligible financial liabilities.

	31 December 2023	31 December 2022
Carrying amount of transferred assets		
– Securities lent	728,397	2,884,397

50 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	31 December 2023	31 December 2022
Contracted, but not provided for	28,096	179,285

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As of December 31, 2023 and December 31, 2022, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

(3) Others

Group has no material contingencies that need to be disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES

(1) Beijing Financial Holdings Group and companies under Beijing Financial Holdings Group

As at 31 December 2023 and 31 December 2022, Beijing Financial Holdings Group Co., Ltd. (“Beijing Financial Holdings Group”) owned 35.81% and 34.61% of the equity interest of the Company respectively.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

The transactions between Beijing Financial Holdings Group and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Year ended 31 December	
	2023	2022
Fee and commission income	165	1,100
Interest income	34	308
Fee and commission expenses	(31)	(24)
Interest expenses	(284)	(325)
Other operating expenses and costs	(102)	(97)

	31 December	31 December
	2023	2022
Assets		
Cash and bank balances	4,094	21,460
Financial assets at fair value through profit or loss	97,000	–
Liabilities		
Accounts payable to brokerage clients	1	1
Other current liabilities	67	56

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(2) Central Huijin and companies under Central Huijin

As at 31 December 2023 and 31 December 2022, Central Huijin Investment Limited (“Central Huijin”) owned 30.76% of the equity interest of the Company.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin has equity interests in certain other banks and non-banking financial institutions under the direction of the PRC government and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government.

The Group enters into transactions with Central Huijin and its affiliated companies in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Year ended 31 December	
	2023	2022
Fee and commission income	133,079	74,204
Interest income	572,256	586,383
Other income	–	506
Fee and commission expenses	(124,250)	(196,789)
Interest expenses	(276,819)	(197,414)
Other operating expenses and costs	(11,199)	(2,248)
	<u>133,079</u>	<u>74,204</u>

	31 December	31 December
	2023	2022
Assets		
Right-of-use assets	3,269	97,964
Accounts receivable	1,557,690	532,705
Financial assets at fair value through profit or loss	5,932,823	6,224,409
Financial assets at fair value through other comprehensive income	1,235,365	1,065,422
Derivative financial assets	253,956	78,355
Financial assets held under resale agreements	–	421,050
Cash held on behalf of clients	13,298,349	14,674,007
Cash and bank balances	4,279,432	5,975,580
Other current assets	306	6,484
	<u>25,363,189</u>	<u>28,475,976</u>
Liabilities		
Accounts payable to brokerage clients	4,576	106,109
Lease liabilities	3,114	98,302
Derivative financial liabilities	556,250	71,980
Financial liabilities at fair value through profit or loss	–	1,643
Financial assets sold under repurchase agreements	5,179,467	9,159,203
Placements from banks and other financial institutions	–	300,144
Short-term borrowings	90,622	640,301
Other current liabilities	647,033	757,715
	<u>11,571,062</u>	<u>10,035,397</u>

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FOR THE YEAR ENDED 31 DECEMBER 2023

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(3) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the “government related entities”) are also regarded as related parties of the Group.

Part of the Group’s transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities. These transactions are conducted in accordance with general commercial terms and conditions.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(4) Other major shareholders and its related parties

The Group’s major transactions and balances with other major shareholders and its related parties were as follows:

	Year ended 31 December	
	2023	2022
Fee and commission income	35,974	24,129
Interest income	283,282	230,810
Other income	800	807
Fee and commission expenses	(16,157)	(30,719)
Interest expenses	(33,968)	(42,185)
Other operating expenses and costs	(31,997)	(8,130)

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(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (CONTINUED)

(4) Other major shareholders and its related parties (Continued)

The Group's major transactions and balances with other major shareholders and its related parties were as follows: (Continued)

	31 December 2023	31 December 2022
Assets		
Right-of-use assets	417,962	561,432
Accounts receivable	245,013	309,484
Financial assets at fair value through other comprehensive income	330,408	149,976
Financial assets at fair value through profit or loss	3,382,391	1,931,181
Derivative financial assets	19,144	24,562
Financial assets held under resale agreements	–	65,282
Cash held on behalf of clients	13,612,953	9,137,826
Cash and bank balances	2,195,224	2,023,722
Other current assets	18,012	298
	<u> </u>	<u> </u>
Liabilities		
Accounts payable to brokerage clients	102,597	547,461
Lease liabilities	517,986	612,471
Derivative financial liabilities	380	5,967
Financial liabilities at fair value through profit or loss	–	570
Short-term borrowings	181,245	89,601
Other current liabilities	10,585	64,758
	<u> </u>	<u> </u>

(5) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(6) Key management personnel

Key management personnel are those who have the authority and responsibility to directly or indirectly plan, direct and control the Group activities, including the board of directors, the board of supervisors and other senior management personnel. In 2023, the Group's remuneration paid for key management personnel were RMB86.02 million (2022: RMB125.43 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 31 December 2023 and 31 December 2022, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

For ongoing fair value measured assets and liabilities, the Group determines at the end of each reporting period whether there is a transition between the hierarchies by reassessing the classification (based on the lowest hierarchy input that has a material impact on the overall fair value measurement).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value

	31 December 2023			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	6,174,156	102,713,948	30,898	108,919,002
– Equity investments	31,745,623	442,951	8,830,833	41,019,407
– Fund investments	9,627,882	5,955,537	–	15,583,419
– Others	31,172	42,644,332	5,995,087	48,670,591
Subtotal	47,578,833	151,756,768	14,856,818	214,192,419
Financial assets at fair value through other comprehensive income				
– Debt instruments	–	75,736,268	–	75,736,268
– Equity instruments	65,588	–	1,400	66,988
Subtotal	65,588	75,736,268	1,400	75,803,256
Derivative financial assets	792,254	979,498	2,413,399	4,185,151
Total assets	48,436,675	228,472,534	17,271,617	294,180,826
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	585	1,429,579	–	1,430,164
– Financial liabilities designated as at fair value through profit or loss	–	195,579	8,518,567	8,714,146
Subtotal	585	1,625,158	8,518,567	10,144,310
Derivative financial liabilities	415,983	1,174,300	2,770,275	4,360,558
Total liabilities	416,568	2,799,458	11,288,842	14,504,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
– Debt instruments	11,443,882	79,780,596	42,336	91,266,814
– Equity investments	25,720,624	–	8,538,883	34,259,507
– Fund investments	10,441,602	14,096,554	–	24,538,156
– Others	50,887	32,204,560	4,991,216	37,246,663
Subtotal	47,656,995	126,081,710	13,572,435	187,311,140
Financial assets at fair value through other comprehensive income				
– Debt instruments	97,344	70,531,923	401	70,629,668
– Equity instruments	90,311	–	–	90,311
Subtotal	187,655	70,531,923	401	70,719,979
Derivative financial assets	345,991	1,262,494	1,254,931	2,863,416
Total assets	48,190,641	197,876,127	14,827,767	260,894,535
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	1,309,424	123,201	1,432,625
– Financial liabilities designated as at fair value through profit or loss	–	51,636	10,822,693	10,874,329
Subtotal	–	1,361,060	10,945,894	12,306,954
Derivative financial liabilities	292,238	1,447,385	1,518,921	3,258,544
Total liabilities	292,238	2,808,445	12,464,815	15,565,498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(2) Movements in Level 3 Financial Instruments measured at fair value

Movements in Level 3 Financial Instruments measured at fair value in each year are as follows:

	Year ended 31 December 2023				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2023	13,572,435	401	1,254,931	10,945,894	1,518,921
Total gains or losses for the year	(317,454)	(401)	805,410	(60,535)	(1,801,407)
Increases	9,346,579	1,400	510,231	6,332,805	6,126,832
Transfers to Level 3 from Level 1	40,914	-	-	-	-
Decreases	(7,414,968)	-	(157,173)	(8,677,958)	(3,074,071)
Transfers to Level 1 from Level 3	(370,688)	-	-	-	-
Transfers to Level 2 from Level 3	-	-	-	(21,639)	-
31 December 2023	<u>14,856,818</u>	<u>1,400</u>	<u>2,413,399</u>	<u>8,518,567</u>	<u>2,770,275</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>(317,454)</u>	<u>(401)</u>	<u>805,410</u>	<u>60,535</u>	<u>1,801,407</u>
	Year ended 31 December 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2022	10,489,688	401	566,436	6,770,267	2,233,570
Total gains or losses for the year	612,281	-	796,686	(1,041,758)	(2,766,893)
Increases	8,391,835	-	59,447	9,796,490	3,398,550
Decreases	(5,255,764)	-	(167,638)	(4,579,105)	(1,346,306)
Transfers to Level 1 from Level 3	(665,605)	-	-	-	-
31 December 2022	<u>13,572,435</u>	<u>401</u>	<u>1,254,931</u>	<u>10,945,894</u>	<u>1,518,921</u>
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	<u>612,281</u>	<u>-</u>	<u>796,686</u>	<u>1,041,758</u>	<u>2,766,893</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

- (3) Important unobservable input value in fair value measurement of Level 3

The fair value of financial instruments under Level 3 are primarily determined by discounted cash flow model, option pricing model and comparable companies methods, etc. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are primarily based on the significance of the unobservable inputs which mainly include liquidity discount, price to book ratio, volatility of underlying assets and others to the overall fair value measurement.

- (4) Transfers between Level 1 and Level 2

During the year ended 31 December 2023, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB38.23 million, while the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB2,488.14 million. The amount of Derivative financial assets from Level 1 to Level 2 were RMB458.60 million.

During the year ended 31 December 2022, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB165.66 million.

- (5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. Financial assets and financial liabilities for which the carrying amounts approximate fair value, including financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable are not listed in the table below.

As at 31 December 2023 and 31 December 2022, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	31 December 2023	31 December 2022
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount (<i>Notes 42 and 43</i>)	102,794,444	101,781,979
– Fair value	103,291,191	100,955,243

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FOR THE YEAR ENDED 31 DECEMBER 2023
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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Group's successful operations. Therefore, the Group has established a set of comprehensive risk management and internal control systems to enable the Group to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk, liquidity risk and operational risk, etc.

The Group's risk management and control system is not significantly changed compared to 31 December 2022.

Structure of risk management

The Board

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

The Board of Directors is the Group's highest decision-making body in risk management, which makes decisions with respect to the Group's overall risk management strategies and policies, fundamental systems, internal control arrangements, and actions to address material risks faced by the Group, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Group and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Group's business and operating activities. The Board's Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

The Operation Management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

The Operation Management (Continued)

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Group's risk preference and tolerance as well as overall risk limits, important specific risk limits and risk control criteria for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Group's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

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

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Group, whose responsible person assumes primary responsibility for the risk management of the unit, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Group has the responsibility of diligence, prudent prevention and timely reporting on the effectiveness of risk management.

The Risk Management Department that is responsible for risk management of the Group, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Audit Department that is responsible for the Group's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Group. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Group, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, aligned with the regulatory requirements, the Company has established the Internal Audit Department. Through such review at the company level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities

The Risk Management Department works with business and management departments to identify major risks and critical controls during the course of different business and management activities, issue the “Risk Classification and Key Control List”, and continue to update the same in light of business changes and monitoring findings.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

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

Risk analysis and control

Financial risks in the Group's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Group has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

53.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Group relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programs for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Group performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carries out debt recovery activities for defaulting customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. During the year ended 31 December 2023, the Group maintains good credit quality of its investment portfolio, optimizes the issuer rating and credit granting and concentration management mechanism, strengthens risk early warning, and effectively control the loss of default.

The Group controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, enhancing the review of derivatives contract terms, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Group monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Group strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for bond-pledged repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Group prevents customer under-collateralisation. For option transactions, the Group takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

Expected credit loss measurement

The measurement of the ECL allowance for the debt financial instruments measured at amortized cost and at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The Group has applied a “three-stage” impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified as “Stage 1” and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk (“SICR”) since initial recognition is identified, the financial instrument is moved to “Stage 2” but is not yet deemed to be credit-impaired;
- If the financial instrument is credit-impaired, the financial instrument is then moved to “Stage 3”.

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default (“PD”), loss given default (“LGD”) and exposure at default (“EAD”). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

- Selection of the appropriate models and determination of relevant key measurement parameters;
- Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;
- Determination of forward-looking measurements and weightings; and
- The estimated future cash flows for the financial assets classified under Stage 3.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Group fully considers forward-looking information when measuring ECL. ECL is the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Group determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral's valuation. For debt securities investments, internal credit rating is taken into consideration.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Group determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

The criteria of Significant increase in credit risk (SICR)

The Group evaluates debt financial instruments to identify whether a SICR has occurred since initial recognition at each balance sheet date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This takes account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Group sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The criteria of Significant increase in credit risk (SICR) (Continued)

For securities financing business, the Group considers securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 31 December 2023 and 31 December 2022, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 31 December 2023 and 31 December 2022, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower or the debtor is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment

The Group assesses whether a financial instrument has been credit-impaired in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Group defines a financial instrument as credit-impaired, which is fully aligned with the definition of “in default”, when it meets one or more of the following criteria:

- The debtor is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client’s position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest internal ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor’s financial difficulties;
- Concessions have been made by the Group relating to the debtor, issuer, or counterparty’s financial difficulty;
- It is becoming probable that the debtor, issuer, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

In summary, the “three-stage” classification criteria for securities financing business is:

- Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.
- Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.
- Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. Key economic variables mainly include the cumulative growth rate of Domestic Gross Domestic Product (GDP), Producer Price Index (PPI), Fixed Asset Investments Completion Rate and the growth rate of the financial institutions' loan balances. Regression analysis has been performed to determine the relationships between these economic variables and macro factors. The Group forecasts the economic variables under different economic scenarios and applies them in the measurement of ECL with Merton Model.

For all portfolios the Group concluded that three scenarios appropriately captured non-linearities of key economic variables. The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The Group reevaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 31 December 2023 and 31 December 2022, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

During 2023, the Group adopted the macroeconomic prosperity index leading index and the average guarantee ratio in the margin trading market as proxy variables for macroeconomic forward-looking forecasting, distinguished optimistic, benchmark, and pessimistic scenarios using the historical distribution of relative changes with different confidence levels.

Under the baseline scenario, the quarterly forecast of the Macroeconomic Prosperity Index is -3.49%, and the monthly forecast of the Average Guarantee Ratio of the securities financing market is -21.37%. Under the optimistic and pessimistic scenarios, the projected value of each of the above indicators will not change by more than plus/minus 100% from the benchmark value.

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Forward-looking information (Continued)

As at 31 December 2023, by taking current economy situation and international circumstances into comprehensive consideration, the Company updated the relevant economic indicators used for forward-looking measurement according to the latest economic forecast. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

A sensitivity analysis is performed on key economic indicators, economic scenarios and weightings assigned used in forward-looking measurement. When the assigned weightings of optimistic scenario and pessimistic scenario change by 10%, the impact on ECL recognised is not significant.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 31 December 2023 and 31 December 2022, assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be not significant.

Collateral and other credit enhancements

The Group employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Group determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin accounts and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Impairment provision of securities financing business

As at 31 December 2023, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.51%, 0.62% and 91.19%, respectively (31 December 2022: 0.40%, 0.79% and 91.02%).

Credit risk exposure analysis

As at 31 December 2023 and 31 December 2022, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	31 December 2023	31 December 2022
Financial assets at fair value through profit or loss	166,043,471	146,841,837
Cash held on behalf of clients	93,944,908	103,904,955
Financial assets at fair value through other comprehensive income	75,736,268	70,629,668
Margin accounts	56,392,572	52,870,595
Deposits in banks	36,620,725	38,944,880
Financial assets held under resale agreements	13,942,296	25,551,300
Refundable deposits	12,741,491	10,881,160
Derivative financial assets	4,185,151	2,863,416
Others	10,114,490	11,478,314
Total maximum credit risk exposure	469,721,372	463,966,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Margin accounts				
Carrying amount	56,674,279	6,708	1,073,108	57,754,095
Loss allowance	(288,330)	(85)	(1,073,108)	(1,361,523)
Book value	<u>56,385,949</u>	<u>6,623</u>	<u>-</u>	<u>56,392,572</u>
Financial assets held under resale agreements				
Carrying amount	13,765,620	50,105	656,068	14,471,793
Loss allowance	(25,442)	(267)	(503,788)	(529,497)
Book value	<u>13,740,178</u>	<u>49,838</u>	<u>152,280</u>	<u>13,942,296</u>
Including: Stock-pledged repurchase business				
Carrying amount	4,819,472	50,105	656,068	5,525,645
Loss allowance	(25,442)	(267)	(503,788)	(529,497)
Collateral	<u>13,362,149</u>	<u>152,766</u>	<u>729,710</u>	<u>14,244,625</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>75,735,867</u>	<u>-</u>	<u>401</u>	<u>75,736,268</u>
Loss allowance	<u>(484,383)</u>	<u>-</u>	<u>(13,372)</u>	<u>(497,755)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2022			Total
	Stage 1	Stage of ECL Stage 2	Stage 3 Lifetime ECL (Credit- impaired)	
	12-month ECL	Lifetime ECL		
Margin accounts				
Carrying amount	53,010,268	64,838	1,071,317	54,146,423
Loss allowance	(203,600)	(911)	(1,071,317)	(1,275,828)
Book value	<u>52,806,668</u>	<u>63,927</u>	<u>–</u>	<u>52,870,595</u>
Financial assets held under resale agreements				
Carrying amount	25,212,735	211,284	656,952	26,080,971
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Book value	<u>25,186,170</u>	<u>210,007</u>	<u>155,123</u>	<u>25,551,300</u>
Including: Stock-pledged repurchase business				
Carrying amount	4,431,214	211,284	656,952	5,299,450
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Collateral	<u>13,357,931</u>	<u>650,260</u>	<u>660,253</u>	<u>14,668,444</u>
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	<u>70,629,267</u>	<u>–</u>	<u>401</u>	<u>70,629,668</u>
Loss allowance	<u>(729,656)</u>	<u>–</u>	<u>(13,372)</u>	<u>(743,028)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted transfers amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;
- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;
- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and
- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2023	203,600	911	1,071,317	1,275,828
Increases	198,725	78	–	198,803
Reversals	(115,254)	(5)	–	(115,259)
Transfer:				
Stage 1 to Stage 2	(7)	7	–	–
Stage 1 to Stage 3	(52)	–	52	–
Stage 2 to Stage 1	906	(906)	–	–
Foreign exchange and other movements	412	–	1,739	2,151
31 December 2023	288,330	85	1,073,108	1,361,523

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(i) Credit loss allowance for margin accounts (Continued)

	Stage of ECL			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	
1 January 2022	117,063	56	1,062,781	1,179,900
Increases	146,130	71	–	146,201
Reversals	(58,868)	(178)	(820)	(59,866)
Write-offs	–	–	(804)	(804)
Transfer:				
Stage 1 to Stage 2	(1,018)	1,018	–	–
Stage 2 to Stage 1	56	(56)	–	–
Foreign exchange and other movements	237	–	10,160	10,397
31 December 2022	203,600	911	1,071,317	1,275,828

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2023	26,565	1,277	501,829	529,671
Increases	11,919	–	1,959	13,878
Reversals	(13,042)	(1,010)	–	(14,052)
31 December 2023	25,442	267	503,788	529,497

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	12,703	–	629,127	641,830
Increases	22,685	908	61,973	85,566
Reversals	(15,325)	(964)	(181,436)	(197,725)
Transfer:				
Stage 1 to Stage 2	(1,333)	1,333	–	–
Stage 3 to Stage 1	7,835	–	(7,835)	–
31 December 2022	26,565	1,277	501,829	529,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2023	729,656	–	13,372	743,028
Increases	257,227	–	–	257,227
Reversals	(502,502)	–	–	(502,502)
Foreign exchange and other movements	2	–	–	2
31 December 2023	484,383	–	13,372	497,755

	Stage of ECL			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	417,714	–	13,372	431,086
Increases	492,351	–	–	492,351
Reversals	(172,713)	–	–	(172,713)
Write-offs	(7,956)	–	–	(7,956)
Foreign exchange and other movements	260	–	–	260
31 December 2022	729,656	–	13,372	743,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk

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

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk control. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid – and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyzes to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During the year ended 31 December 2023, the Group has appropriately planned its scale and structure of assets and liabilities, maintained sufficient liquidity reserve, established and practiced liquidity support mechanism for foreign subsidiaries and ensured its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2023					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	100,923,675	-	-	-	-	100,923,675
Derivative financial liabilities	3,811,009	222,587	326,886	76	-	4,360,558
Financial liabilities at fair value through profit or loss	1,625,743	1,422,656	2,136,663	4,708,410	250,838	10,144,310
Financial assets sold under repurchase agreements	3,378,120	121,916,392	4,243,209	-	-	129,537,721
Placements from banks and other financial institutions	-	400,088	1,522,295	-	-	1,922,383
Short-term borrowings	-	474,588	-	-	-	474,588
Short-term financing instruments payable	-	15,663,599	22,513,717	-	-	38,177,316
Bonds in issue	-	378,137	2,057,897	69,147,702	18,594,700	90,178,436
Lease liabilities	-	149,626	378,043	1,091,989	13,951	1,633,609
Others (i)	29,953,913	6,675,649	17,045,097	2,031	1,483	53,678,173
Total	139,692,460	147,303,322	50,223,807	74,950,208	18,860,972	431,030,769
Cash flows from derivative financial liabilities settled on a net basis	3,811,009	197,101	261,407	38	-	4,269,555
Gross-settled derivative financial liabilities	-	25,486	65,479	38	-	91,003
Contractual amounts receivable	-	22,917	7,442	-	-	30,359
Contractual amounts payable	-	2,569	58,037	38	-	60,644

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows: (Continued)

	31 December 2022					Total
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	
Accounts payable to brokerage clients	109,294,147	-	-	-	-	109,294,147
Derivative financial liabilities	3,161,208	71,711	24,269	1,356	-	3,258,544
Financial liabilities at fair value through profit or loss	119,424	3,534,616	2,837,340	5,711,388	104,186	12,306,954
Financial assets sold under repurchase agreements	-	118,867,014	3,394,012	-	-	122,261,026
Placements from banks and other financial institutions	-	2,213,123	6,569,008	-	-	8,782,131
Short-term borrowings	-	1,243,577	-	-	-	1,243,577
Short-term financing instruments payable	-	4,136,817	15,598,210	-	-	19,735,027
Bonds in issue	-	394,400	1,290,500	54,113,632	13,158,900	68,957,432
Lease liabilities	-	191,105	376,915	1,408,799	37,881	2,014,700
Others (i)	29,302,351	16,766,712	24,276,895	1,765	603	70,348,326
Total	141,877,130	147,419,075	54,367,149	61,236,940	13,301,570	418,201,864
Cash flows from derivative financial liabilities settled on a net basis	3,161,208	68,280	23,533	1,356	-	3,254,377
Gross-settled derivative financial liabilities	-	3,431	736	-	-	4,167
Contractual amounts receivable	-	-	-	-	-	-
Contractual amounts payable	-	3,431	736	-	-	4,167

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 31 December 2023 and 31 December 2022 but not commenced into the relevant maturity groupings based on their contractual maturities:

	31 December 2023				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	16,124	16,071	42,979	11,561	86,735

	31 December 2022				Total
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	
Lease liabilities	4,115	3,773	6,583	889	15,360

53.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

For market risks, the Group has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Group annually reviews and approves risk limits for the Group as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Group has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Group assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks control and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Group makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

During the year ended 31 December 2023, while the Group earns reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023
(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(1) Value at risk (VaR)

The Group adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

The VaR of the Group's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Group implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Group and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	31 December 2023	31 December 2022
Equity price-sensitive financial instruments	78,293	123,439
Interest rate-sensitive financial instruments	103,921	148,913

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Group's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Group primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the period-end on the Group's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and not considering any risk management actions that the management may take to reduce its interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(2) Interest rate risk (Continued)

Interest rate sensitivity analysis of are as follows:

Sensitivity to revenue	31 December 2023	31 December 2022
Change in basis points		
+25 basis points	(738,185)	(596,311)
- 25 basis points	743,967	597,584

Sensitivity to equity	31 December 2023	31 December 2022
Change in basis points		
+25 basis points	(380,066)	(336,732)
- 25 basis points	383,365	339,545

(3) Foreign currency rate risk

As at 31 December 2023, the foreign exchange exposure is approximately RMB1,342 million (31 December 2022: RMB2,637 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, and manages its foreign exchange risk by limiting the scale of foreign-currency-denominated assets and liabilities and the comprehensive position of foreign exchange settlement and sales, setting the Company's self-operated investment stop-loss limit, risk exposure limit, and using foreign exchange derivative risk hedging tools. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.4 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for equity holders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the PRC regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revised 2016) (the "Administrative Measures") issued by the CSRC in 2016 and Calculation Standards for Risk Control Indicators of Securities Companies (CSRC Announcement [2020] No.10) (the "Calculation Standards") issued by the CSRC in 2020, respectively, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The risk coverage ratio shall be no less than 100%;
- The capital leverage ratio shall be no less than 8%;
- The liquidity coverage ratio shall be no less than 100%;
- The net stable funding ratio shall be no less than 100%;

Risk coverage ratio = net capital/sum of various risk capital provisions x 100%;

Capital leverage ratio = core net capital/total asset on-/off-balance-sheet x 100%;

Liquidity coverage ratio = high quality liquid assets/net cash outflow in 30 days x 100%;

Net stable funding ratio = available amount of stable funding/required amount of stable funding x 100%.

Core net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Calculation Standards.

In March 2020, the Group received a Notice on the Matters about the Pilot of Consolidated Risk Control and Monitoring from CSRC (Notice of Department of Institutions (2020) No. 663), which allowed the Group to officially participate in the pilot of consolidated risk control and to implement differentiated calculation standards for risk control indicators.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2023	31 December 2022
Non-current assets			
Property, plant and equipment		767,278	645,995
Right-of-use assets		1,389,327	1,727,858
Investment properties		43,823	38,142
Intangible assets		784,183	636,303
Investment in subsidiaries	20	11,700,844	11,550,844
Investment in associates		55,536	54,579
Financial assets at fair value through profit or loss		1,171,896	1,096,117
Financial assets held under resale agreements		29,887	4,868
Refundable deposits		6,358,475	5,652,195
Deferred tax assets		312,368	1,003,516
Other non-current assets		350,624	79,238
Total non-current assets		22,964,241	22,489,655
Current assets			
Margin accounts		56,247,084	52,606,442
Accounts receivable		8,593,280	10,189,482
Financial assets at fair value through profit or loss		189,104,605	164,742,703
Financial assets at fair value through other comprehensive income		66,345,111	63,819,804
Derivative financial assets		4,153,051	2,942,801
Financial assets held under resale agreements		13,808,278	25,468,071
Cash held on behalf of clients		75,569,964	88,299,059
Cash and bank balances		32,186,069	36,001,575
Other current assets		965,777	542,032
Total current assets		446,973,219	444,611,969
Total assets		469,937,460	467,101,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	31 December 2023	31 December 2022
Current liabilities		
Accounts payable to brokerage clients	75,772,066	88,534,251
Lease liabilities	430,017	456,192
Derivative financial liabilities	4,687,140	3,470,581
Financial liabilities at fair value through profit or loss	4,989,483	6,298,681
Financial assets sold under repurchase agreements	123,565,653	116,585,918
Placements from banks and other financial institutions	1,904,048	8,724,569
Taxes payable	184,680	823,236
Short-term financing instruments payable	36,908,069	19,439,574
Other current liabilities	51,582,720	71,567,578
Total current liabilities	<u>300,023,876</u>	<u>315,900,580</u>
Net current assets	<u>146,949,343</u>	<u>128,711,389</u>
Total assets less current liabilities	<u>169,913,584</u>	<u>151,201,044</u>
Non-current liabilities		
Bonds in issue	72,070,538	55,239,469
Financial liabilities at fair value through profit or loss	4,959,248	5,815,574
Lease liabilities	1,024,384	1,295,838
Other non-current liabilities	3,514	2,368
Total non-current liabilities	<u>78,057,684</u>	<u>62,353,249</u>
Net assets	<u><u>91,855,900</u></u>	<u><u>88,847,795</u></u>
Equity		
Share capital	7,756,695	7,756,695
Other equity instruments	24,906,528	24,906,528
Reserves	34,198,319	32,263,088
Retained earnings	24,994,358	23,921,484
Total equity	<u><u>91,855,900</u></u>	<u><u>88,847,795</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained earnings	Total
At 1 January 2023		7,756,695	24,906,528	12,428,414	5,865,685	13,524,646	444,343	23,921,484	88,847,795
Profit for the year		-	-	-	-	-	-	5,955,325	5,955,325
Other comprehensive income for the year		-	-	-	-	-	130,838	-	130,838
Total comprehensive income for the year		-	-	-	-	-	130,838	5,955,325	6,086,163
Appropriation to surplus reserves	46	-	-	-	595,533	-	-	(595,533)	-
Appropriation to general reserves	46	-	-	-	-	1,208,860	-	(1,208,860)	-
Dividends – 2022	15	-	-	-	-	-	-	(2,094,308)	(2,094,308)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(983,750)	(983,750)
At 31 December 2023		7,756,695	24,906,528	12,428,414	6,461,218	14,733,506	575,181	24,994,358	91,855,900

The net profit of the Company for the year ended 31 December 2023 amounted to RMB5,955 million (2022: RMB6,583 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 31 December 2021		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921
Plus: Impact of changes in accounting policies		-	-	-	(588)	(1,175)	-	(4,113)	(5,876)
Adjusted balance at 1 January 2022		<u>7,756,695</u>	<u>14,937,500</u>	<u>12,428,414</u>	<u>5,207,430</u>	<u>12,189,972</u>	<u>667,026</u>	<u>23,248,008</u>	<u>76,435,045</u>
Profit for the year		-	-	-	-	-	-	6,582,551	6,582,551
Other comprehensive income for the year		-	-	-	-	-	(222,683)	-	(222,683)
Total comprehensive income for the year		-	-	-	-	-	(222,683)	6,582,551	6,359,868
Capital injected by equity holders									
- Capital injected by other equity instrument holders	45	-	9,969,028	-	-	-	-	-	9,969,028
Appropriation to surplus reserves	46	-	-	-	658,255	-	-	(658,255)	-
Appropriation to general reserves	46	-	-	-	-	1,334,674	-	(1,334,674)	-
Dividends – 2021	15	-	-	-	-	-	-	(3,063,894)	(3,063,894)
Distribution to other equity instrument holders	15	-	-	-	-	-	-	(852,252)	(852,252)
At 31 December 2022		<u>7,756,695</u>	<u>24,906,528</u>	<u>12,428,414</u>	<u>5,865,685</u>	<u>13,524,646</u>	<u>444,343</u>	<u>23,921,484</u>	<u>88,847,795</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(In RMB thousands, unless otherwise stated)

56 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of corporate bond

In January 2024, the Company publicly issued a corporate bond with a face value of RMB2.7 billion. The bond can be divided into two categories: (a) the “24 Xintou G1” has a face value of RMB0.7 billion, with a maturity of 3 years and a nominal rate of 2.72%; (b) the “24 Xintou G2” has a face value of RMB2 billion, with a maturity of 10 years and a nominal rate of 2.99%. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

In February 2024, the Company privately issued a 3-year fixed rate corporate bond (“24 Xintou F1”) with a face value of RMB4 billion. The bond pays interest annually at 2.80% per annum and is not guaranteed.

In March 2024, the Company privately issued a 30-month (914-day) fixed rate corporate bond (“24 Xintou F2”) with a face value of RMB3 billion. The bond pays interest annually at 2.58% per annum and is not guaranteed.

In March 2024, the Company publicly issued a 10-year fixed rate corporate bond (“24 Xintou G4”) with a face value of RMB1 billion. The bond pays interest annually at 2.78% per annum and is not guaranteed.

(2) Issuance of perpetual subordinated bond

In January 2024, the Company publicly issued a perpetual subordinated bond with a face value of RMB4.5 billion (“24 Xintou Y1”). The bond is repriced every 5 interest-accruing years and at the end of the repricing cycle, the Company has the option to extend the bond for another repricing cycle (another five years) or redeem it in full. The bond accrues interest at floating rate with an initial fixed annual interest rate of 3.15% in the first 5 interest-accruing years and will be repriced every 5 years from the sixth year. The bond pays interest annually in case of the Company not exercising the option to defer the interest payment and is not guaranteed.

(3) Issuance of short-term commercial paper

In January 2024, the Company publicly issued a 1-year fixed rate short-term corporate bond with a face value of RMB1.5 billion (“24 Xintou S1”). The bond pays the principal and interest at 2.52% per annum at maturity and is not guaranteed.

(4) Dividend

On 28 March 2024, the Board of directors proposes a cash dividend of RMB2.50 (tax inclusive) per 10 ordinary shares, amounting to RMB1,939 million (tax inclusive) in total based on 7,756,694,797 shares for the year ended 31 December 2023. The dividend distribution represents 32.05% of profit for the year 2023 attributable to equity holders of the Company (excluding interest on perpetual subordinated bonds) in the consolidated financial statements. The remaining undistributed profit will be carried forward to the following years. Such proposal is subject to the approval by the ordinary equity holders in the Annual General Meeting.

57 COMPARATIVE FIGURES

As detailed in Note 2, the Group has adopted certain accounting policy changes and therefore made retrospective adjustments (including adjustments to comparable period financial information) as required.



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CSC FINANCIAL CO., LTD.