香港交易及結算所有限公司及香港聯合交易所有限公司對本公告的內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示，概不對因本公告全部或任何部份內容而產生或因依賴該等內容而引致的任何損失承擔任何責任。

*本公告及隨附上市文件僅供參考之用，並不構成收購、購買或認購發行人（定義見下文）證券的邀請或要約。本公告及隨附上市文件並非亦不擬作為於美國要約出售發行人證券或招攬購買發行人證券。本公告及隨附上市文件所述證券概無及將不會根據經修訂的美國1933年證券法（「**證券法**」）登記，除根據證券法登記規定獲豁免或屬不受該等登記規定所規限的交易外，證券不可在美國境內提呈發售或出售。票據（定義見下文）現僅根據證券法S規例（「**S規例**」）以離岸交易形式在美國境外及在若干情況下向非美國人士（定義見證券法S規例）提呈發售及出售。本公告及隨附上市文件不得直接或間接在或向美國派發。本公告所述證券不可且將不會在美國提呈公開發售。*

*本公告及隨附上市文件乃按香港聯合交易所有限公司證券上市規則（「**上市規則**」）規定的僅作資料用途而刊發，並不構成提呈出售任何證券的要約或招攬購買任何證券。本公告及其任何內容（包括隨附上市文件）並非任何合約或承諾的依據。為免生疑，刊發本公告及隨附上市文件不應被視為就香港法例第32章公司（清盤及雜項條文）條例而言根據發行人或其代表刊發的募集說明書提出的證券發售建議，亦概不構成就香港法例第571章證券及期貨條例而言的廣告、邀請或文件，其中載有向公眾人士的邀約，訂立或建議訂立有關購買、出售、認購或包銷證券的協議。*

致香港投資者之通知：就將於香港聯合交易所有限公司上市之票據而言，發行人、擔保人（定義見下文）及本公司（定義見下文）確認票據僅擬由專業投資者（定義見上市規則第37章）購買並將按該基準於香港聯合交易所有限公司上市。因此，發行人、擔保人及本公司確認，票據並不適合香港散戶投資者作投資用途。投資者應仔細考慮有關風險。

刊發發售通函

CSCIF Hong Kong Limited(「發行人」)
(根據英屬維爾京群島法律註冊成立的有限公司)

4,000,000,000美元中期票據計劃(「該計劃」)

由

CSC Financial Co., Ltd.
(中信建投証券股份有限公司)
(「本公司」)
(於中華人民共和國註冊成立的有限公司)
(香港聯交所股份代號:6066;上海證券交易所股份代號:601066)

無條件及不可撤銷地擔保

或

由

China Securities (International) Finance Holding Company Limited
中信建投(國際)金融控股有限公司
(「擔保人」)
(於香港註冊成立的有限公司)

無條件及不可撤銷地擔保

及受益於

CSC Financial Co., Ltd.
(中信建投証券股份有限公司)
(於中華人民共和國註冊成立的有限公司)
(香港聯交所股份代號:6066;上海證券交易所股份代號:601066)

提供之維好協議

安排行及交易商

中信建投國際 **中信銀行(國際)** **滙豐**

本公告乃根據上市規則第37.39A條作出。

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中國北京
2024年4月29日

於本公告日期,CSCIF Hong Kong Limited的唯一董事為薛蘭女士。

於本公告日期,中信建投証券股份有限公司執行董事為王常青先生及鄒迎光先生;中信建投証券股份有限公司非執行董事為李岷先生、武瑞林先生、閆小雷先生、朱佳女士、楊棟先生及王華女士;以及中信建投証券股份有限公司獨立非執行董事為浦偉光先生、賴觀榮先生、張崢先生、吳溪先生及鄭偉先生。

於本公告日期,中信建投(國際)金融控股有限公司董事為蔣月勤先生、徐濤先生、王廣學先生、劉乃生先生及黃凌先生。

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the CSCIF Hong Kong Limited (the "**Issuer**"), China Securities (International) Finance Holding Company Limited 中信建投(國際)金融控股有限公司 ("**China Securities International**" or "**CSIF Holding**"), CSC Financial Co., Ltd. (中信建投証券股份有限公司)(the "**Company**") as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, CSIF Holding, the Company, each of the Arrangers and the Dealers (each as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and, in certain circumstances, not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR (IN THE CASE OF NOTES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES, OR IN CERTAIN CIRCUMSTANCES, TO U.S. PERSONS, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE OFFERING IS MADE SOLELY OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, CSIF Holding, the Company, the Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute, in the United States or elsewhere, directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Arranger or Dealer or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer, CSIF Holding and the Company in such jurisdiction.

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

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OFFERING CIRCULAR **STRICTLY CONFIDENTIAL**

中信建投証券股份有限公司
CSC FINANCIAL CO., LTD.

U.S.$4,000,000,000
Medium Term Note Programme

CSCIF Hong Kong Limited

(Incorporated with limited liability in the British Virgin Islands)

(as Issuer)

Unconditionally and Irrevocably Guaranteed by

CSC Financial Co., Ltd.
（中信建投証券股份有限公司）

(Incorporated with limited liability in the People's Republic of China)
(Hong Kong Stock Exchange Stock Code: 6066; Shanghai Stock Exchange Stock Code: 601066)

or

Unconditionally and Irrevocably Guaranteed by

China Securities (International) Finance Holding Company Limited
中信建投(國際)金融控股有限公司

(Incorporated with limited liability in Hong Kong)

and

with the Benefit of a Keepwell Deed Provided by

CSC Financial Co., Ltd.
（中信建投証券股份有限公司）

(Incorporated with limited liability in the People's Republic of China)
(Hong Kong Stock Exchange Stock Code: 6066; Shanghai Stock Exchange Stock Code: 601066)

Under the U.S.$4,000,000,000 Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), CSCIF Hong Kong Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") which will be unconditionally and irrevocably guaranteed (each a "**Guarantee**" and together, the "**Guarantees**") either by China Securities (International) Finance Holding Company Limited 中信建投(國際)金融控股有限公司 ("**China Securities International**" or "**CSIF Holding**") (the "**CSIF Holding Guarantee**", such Notes guaranteed by CSIF Holding, "**KW Notes**") or by CSC Financial Co., Ltd.(中信建投証券股份有限公司)(the "**Company**", together with CSIF Holding, each a "**Guarantor**") (the "**Company Guarantee**", such Notes guaranteed by the Company, "**Guaranteed Notes**") to be specified in the relevant Pricing Supplement in respect of the issue of the Notes. The Issuer is a wholly-owned subsidiary of CSIF Holding which is in turn wholly-owned by the Company. The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$4,000,000,000 (or the equivalent in other currencies), subject to increase as further described in "*Summary of the Programme*".

Each Tranche (as defined in "*Summary of the Programme*") of KW Notes or Guaranteed Notes issued under the Programme will have the benefit of a deed of guarantee in relation to the CSIF Holding Guarantee or the Company Guarantee, as the case may be, dated on or about the relevant Issue Date (as defined in Terms and Conditions of the Notes) (each such deed of guarantee, as amended, restated and/or supplemented from time to time, a "**Deed of Guarantee**") entered into between the relevant Guarantor and The Hongkong and Shanghai Banking Corporation Limited as trustee (the "**Trustee**") substantially in the form attached to the Trust Deed (as defined in Terms and Conditions of the Notes). Prospective investors should read this Offering Circular together with the applicable Pricing Supplement to determine if a particular Tranche of Notes will have the benefit of the CSIF Holding Guarantee or the Company Guarantee, as the case may be.

The Issuer, CSIF Holding and the Company entered into a keepwell deed on 26 April 2024 with the Trustee (as amended, restated and/or supplemented from time to time, the "**Keepwell Deed**") as further described in "*Description of the Keepwell Deed*". Under the Keepwell Deed, the Company as the keepwell provider agrees to provide certain credit support with respect to each Tranche of KW Notes. The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer or CSIF Holding under the KW Notes and the CSIF Holding Guarantee, may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company, and will be applicable only to a Tranche of KW Notes but not Guaranteed Notes. Prospective investors should read this Offering Circular together with the applicable pricing supplement ("**Pricing Supplement**") to determine if a particular Tranche of Notes will have the benefit of the Keepwell Deed executed by the Company.

The Company will be required to register or cause to be registered with the Beijing Branch of the State Administration of Foreign Exchange ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Foreign Exchange Administration Rules on Cross-border Security(跨境擔保外匯管理規定)promulgated by SAFE following the issuance of each Tranche of the Guaranteed Notes. The Company intends to complete the registration of the relevant Deed of Guarantee with respect to the Guaranteed Notes with SAFE as soon as practicable and in any event before the Registration Deadline (being 150 Registration Business Days (as defined in the Terms and Conditions of the Notes)) after the relevant Issue Date of the Guaranteed Notes). The payment obligations of the relevant Guarantor under the relevant Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of such Guarantor.

With respect to each Tranche of the Notes where Order 56 (as defined below) is applicable, registration will be completed, or application to registration will be made, by the Company in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號))issued by the NDRC and which came into effect on 10 February 2023 and any implementation rules, reports, certificates or guidelines as may be issued by the NDRC, as supplemented and amended from time to time ("**Order 56**"), as set forth in the applicable Pricing Supplement. After issuance of each Tranche of the Notes where Order 56 is applicable, the Company shall file the requisite information and documents with the NDRC within the prescribed timeframe after the relevant Issue Date of the Notes in accordance with Order 56. The PRC government has no obligations under the Notes. See the section entitled "*Risk Factors*" in this Offering Circular.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: Each of the Issuer, CSIF Holding and the Company confirms that the Notes are intended for purchase by Professional Investors only and with respect to the Notes to be listed on the Hong Kong Stock Exchange, such Notes will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, each of the Issuer, CSIF Holding and the Company confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

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

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

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

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

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

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

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

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

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

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

The Programme has been assigned a rating of BBB+ by Fitch Ratings Ltd. ("**Fitch**") and a rating of BBB+ by S&P Global Ratings ("**S&P**") for the issuances of Guaranteed Notes and KW Notes and a rating of Baa1 by Moody's Investor Services, Inc. ("**Moody's**") for the issuance of Guaranteed Notes. In addition, the Company has been assigned a corporate family rating of "Baa1" by Moody's with stable outlook, a long-term foreign and local currency issuer default rating of "BBB+" by Fitch with stable outlook and a long-term issuer credit rating of "BBB+" by S&P with stable outlook. CSIF Holding has been assigned a rating of "BBB+" by Fitch and a rating of "BBB+" by S&P. These ratings are only correct as at the date of this Offering Circular. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, the relevant Guarantor and the Company to fulfil their respective obligations in respect of the relevant Notes, the relevant Guarantee, the Keepwell Deed are discussed under "*Risk Factors*". Investors should be aware that the risks relating to the Guarantees and the risk relating to the Keepwell Deed and that there are various other risks relating to the Notes, the Issuer, the Company, the Guarantor, their business and their jurisdictions of operations, which investors should familiarise themselves with before making an investment in the Notes. See "*Risk Factors*" beginning on page 20 of this Offering Circular.

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

Arrangers and Dealers

China Securities International **China CITIC Bank International** **HSBC**

Offering Circular dated 26 April 2024

NOTICE TO INVESTORS

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

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

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

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, CSIF Holding, the Company, each of the Arrangers and the Dealers, the Trustee and the Agents (as defined in the Terms and Conditions of the Notes) to inform themselves about and to observe any such restrictions. None of the Issuer, CSIF Holding, the Company, the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action would be required for such purposes. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

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

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

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

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

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

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

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE – *In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the EEA, the United Kingdom, the PRC, Hong Kong, Singapore, Japan and the British Virgin Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular and any Pricing Supplement, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Group, the Notes, the Guarantees, any Deed of Guarantee or the Keepwell Deed other than as contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, CSIF Holding, the Company, any Arranger, any Dealer, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them). Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, CSIF Holding, the Company, the Group or any of them since the date hereof, or if later, the date upon which this Offering Circular has been most recently amended or supplemented, or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, as the case may be, the date upon which this Offering Circular has been most recently amended or supplemented, or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, CSIF Holding, the Company, the Arrangers, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) to subscribe for or purchase any Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is highly confidential and has been prepared by the Issuer, CSIF Holding and the Company solely for use in connection with the Programme and the proposed offering of the Notes under the Programme as described herein. None of the Issuer, CSIF Holding and the Company has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

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

To the fullest extent permitted by law, each of the Arrangers, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) does not accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by it or on its behalf in connection with the Issuer, CSIF Holding, the Company, the giving of the Guarantees or the keepwell or the issue and offering of the Notes. Each of the Arrangers, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee, the Agents (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them) undertakes to review the financial condition or affairs of the Company during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Notes of any information coming to the attention of any Arranger, any Dealer, the Trustee, any Agent (or any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them).

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

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

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

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

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

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

THE NOTES AND THE GUARANTEES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED, WITHIN THE

UNITED STATES OR, IN CERTAIN CIRCUMSTANCES, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S OR THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER IN CASE OF BEARER NOTES).

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as stabilisation manager(s) in the applicable Pricing Supplement ("**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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

Industry and Market Data

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, CSIF Holding, the Company, the Arrangers, the Dealers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them, and none of the Issuer, CSIF Holding, the Company, the Arrangers, the Dealers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Presentation of Financial Information

The audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") as at and for the year ended 31 December 2022, including the comparative figures of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 and related notes thereof (the "**2022 Audited Consolidated Financial Statements of the Company**") which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers ("**PwC**"), the Company's previous independent auditor. Such financial statements of the Company were prepared and presented in accordance with the International Financial Reporting Standards ("**IFRS**").

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2023, which are included elsewhere in this Offering Circular, have been audited by KPMG ("**KPMG**"), the Company's current independent auditor (the "**2023 Audited Consolidated Financial Statements of the Company**", together with the 2022 Audited Consolidated Financial Statements of the Company, the "**Audited Consolidated Financial Statements of the Company**"). Such financial statements of the Company were prepared and presented in accordance with IFRS.

The audited consolidated financial statements of CSIF Holding and its subsidiaries (the "**CSIF Holding Group**") as at and for the year ended 31 December 2022, including the corresponding figures of the audited consolidated financial statements of CSIF Holding as at and for the year ended 31 December 2021 and related notes thereof (the "**2022 Audited Consolidated Financial Statements of CSIF Holding**") which are included elsewhere in this Offering Circular, have been audited by PwC, CSIF Holding's previous independent auditor. Such financial statements of CSIF Holding were prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**"). The audited consolidated financial statements of CSIF Holding Group as at and for the year ended 31 December 2023, which are included elsewhere in this Offering Circular, have been audited by KPMG, CSIF Holding's current independent auditor (the "**2023 Audited Consolidated Financial Statements of CSIF Holding**", together with the 2022 Audited Consolidated Financial Statements of CSIF Holding, the "**Audited Consolidated Financial Statements of CSIF Holding**"). Such financial statements of CSIF Holding were prepared and presented in accordance with HKFRS.

In preparing the 2023 Audited Consolidated Financial Statements of the Company, the Company has adopted (i) amendments to IFRS 17 – "Insurance Contracts", (ii) 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", and (iii) amendments to IAS 12 – "Deferred Tax related to Assets and Liabilities arising from a Single Transaction", which were effective from January 1, 2023. Accordingly, retrospecitve adjustments were made to the corresponding figures of the consolidated financial information of the Group as at and for the year ended 31 December 2022 as shown in the 2023 Audited Consolidated Financial Statements of the Company (the "**2022 Restated Consolidated Financial Information of the Company**"). The 2022 Restated Consolidated Financial Information of the Company as shown in the 2023 Audited Consolidated Financial Statements of the Company has not been audited or reviewed and may differ from the 2022 Audited Consolidated Financial Statements of the Company, which are presented before restatement. Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of the Company and the 2022 Audited Consolidated Financial Statements of the Company to evaluate the Group's financial condition and results of operations. Please see "Risk Factors – Risks Relating to The Group's Business and Industry – Our historical financial information may not be directly comparable and we may face risks related to changes in accounting standards". For details of the changes of accounting standards, please see Notes 2 and 57 to the 2023 Audited Consolidated Financial Statements of the Company.

In preparing the 2023 Audited Consolidated Financial Statements of CSIF Holding, CSIF Holding has adopted (i) amendments to HKFRS 17 – "Insurance contracts", (ii) amendments to HKAS 1 – "Presentation of financial statements" and HKFRS Practice Statement 2 – "Making materiality judgments: Disclosure of accounting policies" and (iii) amendments to HKAS 12 – "Income taxes: Deferred tax related to assets and liabilities arising from a single transaction". Accordingly, retrospecitve adjustments were made to the corresponding figures of the consolidated financial information of the CISF Holding Group as at and for the year ended 31 December 2022 as shown in the 2023 Audited Consolidated Financial Statements of CSIF Holding (the "**2022 Restated Consolidated Financial Information of CSIF Holding**"). The 2022 Restated Consolidated Financial Information of CSIF Holding as shown in the 2023 Audited Consolidated Financial Statements of CSIF Holding has not been audited or reviwed and may differ from the 2022 Audited Consolidated Financial Statements of CSIF Holding. Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of CSIF Holding and the 2022 Audited Consolidated Financial

Statements of CSIF Holding to evaluate CSIF Holding Group's financial condition and results of operations. Please see "Risk Factors – Risk Factors Relating to the Business of CSIF Holding – The historical financial information of China Securities International may not be directly comparable and China Securities International may face risks related to changes in accounting standards." For details of the changes of accounting standards, please see Notes 2(c) and 31 to the 2023 Audited Consolidated Financial Statements of CSIF Holding.

All financial data contained herein which is stated as relating to the Company is referring to the consolidated data of the Company. All financial data contained herein which is stated as relating to CSIF Holding is referring to the consolidated data of CSIF Holding.

Exchange Rate Information

The consolidated financial statements of the Company are presented in Renminbi and the consolidated financial statements of CSIF Holding are presented in Hong Kong dollars. For convenience only and unless otherwise noted, all translations from Renminbi and Hong Kong dollars into U.S. dollars in this Offering Circular, respectively, were made at the rate of RMB7.0999 to U.S.$1.00 and HK$7.8109 to U.S.$1.00, respectively, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2023. No representation is made that the Renminbi or Hong Kong dollar amounts referred to in this Offering Circular, respectively, could have been or could be converted into U.S. dollars at any particular rate or at all, and *vice versa*.

Rounding

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

Certain Definitions and Conventions

We have prepared this offering circular using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to CSC Financial Co., Ltd. itself, or CSC Financial Co., Ltd. and its consolidated subsidiaries, as the context requires.

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

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC; references to "**HK$**" are to the lawful currency of Hong Kong; references to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States of America and references to "**sterling**" or "**£**" are to the lawful currency of the United Kingdom.

"**AUM**" refers to asset under management;

"**Beijing Financial Holdings Group**" refers to Beijing Financial Holdings Group Limited (北京金融控股集團有限公司), our largest shareholder, owned 35.81% of our equity interest and voting rights as at 31 December 2023;

"**Board**" or "**Board of Directors**" refers to the board of directors of the Company;

"**BSCOMC**" refers to Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心);

"**BSE**" refers to Beijing Stock Exchange;

"**CAM**" refers to collective asset management;

"**CAGR**" refers to compound annual growth rate, which is the geometric progression ratio that provides a constant rate of return over the specified time period.

"**Central Huijin**" refers to Central Huijin Investment Ltd., our second largest shareholder, owned 30.76 of our equity interest and voting rights as at 31 December 2023;

"**China Securities Capital**" refers to China Capital Management Limited (中信建投資本管理有限公司), a company incorporated in the PRC with limited liability on July 31, 2009 and a wholly-owned subsidiary of us;

"**China Securities Funds**" refers to China Securities Funds Management Limited (中信建投基金管理有限公司) and a subsidiary of us;

"**China Securities Futures**" refers to China Futures Co., Ltd. (中信建投期貨有限公司), a company incorporated in the PRC with limited liability on March 16, 1993 and became a wholly-owned subsidiary of us in July 2007;

"**China Securities International**" or "**CSIF Holding**" refers to China Securities (International) Finance Holding Company Limited 中信建投(國際)金融控股有限公司 and a subsidiary of us;

"**CITIC Group**" refers to CITIC Group Corporation (中國中信集團有限公司), a SOE established in the PRC in 1979, which is the only substantial shareholder of CITIC Securities;

"**CITIC Securities**" refers to CITIC Securities Co., Ltd. (中信證券股份有限公司), a joint stock company incorporated in the PRC with limited liability on October 25, 1995;

"**CRMW**" refers to credit risk mitigation warrant;

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

"**CSDC**" refers to the China Securities Depositary and Clearing Corporation (中國證券登記結算有限責任公司);

"**Dealogic**" is a financial markets platform offering integrated content, analytics, and technology via a service to financial firms;

"**ChiNext**" refers to growth enterprise market board in mainland China stock exchanges;

"**Huaxia Securities**" refers to Huaxia Securities Co., Ltd. (華夏證券股份有限公司), a joint stock company incorporated in the PRC with limited liability on October 4, 1992 and an Independent Third Party, which is currently in liquidation;

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

"**PBOC**" refers to People's Bank of China;

"**PRC Government**" in this Offering Circular means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;

"**QFI**" refers to qualified foreign investor;

"**QFII**" refers to qualified foreign institutional investor;

"**RQFII**" refers to RMB qualified foreign institutional investor;

"**SAC**" refers to The Securities Association of China;

"**SAM**" refers to specialised asset management;

"**SFC**" refers to Securities and Futures Commission;

"**SME(s)**" refers to small-and medium-sized enterprise(s);

"**SOE(s)**" Refers to state-owned enterprise(s);

"**SSE**" refers to Shanghai Stock Exchange;

"**STAR Market**" refers to Science and Technology Innovation Board;

"**SZSE**" refers to Shenzhen Stock Exchange;

"**TAM**" refers to targeted asset management;

"**TMT**" refers to telecommunication, media and technology;

"**WFOE**" refers to wholly foreign owned enterprise(s);

"**Wind Info**" refers to Wind Information Co., Ltd.(萬得信息技術股份有限公司), a joint stock company with limited liability incorporated in the PRC and a service provider of financial data, information and software.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

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

(i) each relevant Pricing Supplement; and

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

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

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

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

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available (upon prior written request and proof of holding and identity to the satisfaction of the Trustee) free of charge, (i) during usual business hours (being between 10:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee set out at the end of this Offering Circular or (ii) via e-mail upon prior written e-mail request to hkcorporate.trust.queries@hsbc.com.hk.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer, CSIF Holding and the Company has given an undertaking to the Dealers that unless the Issuer has notified the Permanent Dealers in writing that it does not intend to issue Notes under the Programme for the time being, each of the Issuer, CSIF Holding and the Company shall prepare and publish an amendment or supplement to this Offering Circular if at any time during the duration of the Programme a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or CSIF Holding and/or the Company and/or of the rights attaching to the Notes and/or the Guarantee and/or the keepwell.

FORWARD-LOOKING STATEMENTS

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

- the Group's business and operating strategies;
- the Group's capital expenditure and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- future developments, trends and conditions in the industries and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- changes in political, economic, legal and social conditions in the PRC and Hong Kong, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- changes in the global economic conditions and material volatility in the global financial markets;
- the prospective financial condition and performance regarding the Group's businesses;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industries and markets in which the Group operates;
- availability and costs of bank loans and other forms of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and the Group's cash flow requirement;
- fluctuations in the PRC and Hong Kong and general risks incidental to the ownership and management of properties; and
- other risks identified in the section entitled "*Risk Factors*" in this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, CSIF Holding, the Company and each other member of the Group undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, CSIF Holding, the Company or the Group could differ materially from those anticipated in these forward-looking statements.

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

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SUMMARY

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

THE GROUP

Overview

We are a leading large full-service investment bank in the PRC with superior value creation capabilities. We have a strong client base, a premier investment banking brand, a balanced business structure, and a robust and prudent risk management system. We adhere to the core value of "achievements leading to status", as well as the concepts of "risk management as priority" and "healthy development" to strive for better service for existing customers and realise mutual growth with the enterprise. In the meantime, we penetrated the local market and moved towards the international market to explore potential quality customers. We aim at taking advantage of our investment banking business as the starting point to steadily develop innovative business, becoming a large best-in-class full-service investment bank based in the PRC with a global vision leveraging the development trends in the PRC and global capital market.

As at 31 December 2023, we had a total of 40 securities branches and 278 securities business departments. As at 31 December 2023, the Company has five first-tier wholly owned subsidiaries, namely China Securities Futures, China Securities Capital, China Securities International, which is incorporated in Hong Kong, China Securities Fund and China Securities Investment Limited.

Our four business segments are investment banking, wealth management, trading and institutional client services and asset management. Our diversified service and product offerings enable us to achieve synergies across different business lines. With the strong support of our shareholders and our professional management team, we engage in proprietary trading to enhance our financial performance. Through the efforts of our visionary leadership team and our high-calibre employees, we have experienced substantial growth over the years and achieved industry-leading positions in many of our business segments. The table below sets out the detailed components of each business segment.

Investment banking business	Wealth management business	Trading and institutional client services business	Asset management business
Equity financing business	Brokerage and wealth management business	Stock sales and trading business	Asset management business of the securities company
Debt financing business	Margin financing and securities lending business	Fixed-income products sales and trading business	Fund management business
Financial advisor business	Repurchase business	Investment and research business	Private equity investment business
		Prime brokerage business	
		QFI business and WFOE businesses	
		Alternative investment businesses	

Our total assets increased by 12.6% from RMB452,791.4 million as at 31 December 2021 to RMB509,955.5 million (before restatements) as at 31 December 2022, or by 12.5% from RMB452,791.4 million as at 31 December 2021 to RMB509,206.0 million (after restatements) as at 31 December 2022, and further increased to RMB522,752.2 million (US$73,628.1 million) as at 31 December 2023. Our total revenue and other income decreased by 6.6% from RMB39,033.0 million as at 31 December 2021 to RMB36,470.8 million (before and after restatements) as at 31 December 2022, and decreased by 6.8% to RMB33,979.4 million (US$4,785.9 million) as at 31 December 2023. See "*Risk Factors – Risks Relating to The Group's Business and Industry – Our historical financial information may not be directly comparable and we may face risks related to changes in accounting standards*".

Competitive Strengths

As a rapidly developing national comprehensive securities company with strong business competitiveness, we believe the following strengths have contributed to our success and differentiated us from our competitors:

- Our extraordinary position and prestigious reputation;
- Strong support from government and shareholders;
- Well-balanced business layout with outstanding advantages;
- Prudent and comprehensive risk control system and strong risk management capabilities;
- Stable and remarkable financial performance;
- Diversified financing channels and comprehensive liquidity safeguard mechanism; and
- Visionary, professional and dedicated management team.

Business Strategies

To achieve our goal to become a large integrated securities company based in China with global vision and comprehensive advantages, we intend to pursue the following strategies:

- **Customer service**: We will stick to a client-oriented approach by relentlessly improving our customer service system and further strengthening customer development and services.
- **Talent strategy**: We will continue vigorously cultivating and recruiting talents, motivating key employees and improving the quality of employees.
- **Capital strength**: We plan to utilise various tools to continually enhance our capital strength and to optimise our balance sheet.
- **Information technology**: We plan to increase our R&D capacity, propelling the integration and development of online and offline businesses. We also intend to continually strengthen our digital governance.
- **Risk control and compliance**: We plan to construct a comprehensive and integrated risk control mechanism covering the entire process of all business lines, and continue to improve our risk control and management levels.
- **Management and operation**: Through reengineering and informatisation of our organisational process, we intend to vigorously promote the construction of a centralised operating system to further improve and optimize the efficiency and effectiveness of operations management.
- **Internationalisation strategy**: Through integrated management and development of domestic and foreign businesses, we plan to build a comprehensive cross-border business platform that integrates our bountiful resources and leverages our competitive advantages.

CSIF HOLDING

Overview

China Securities International is a wholly-owned subsidiary of the Company, incorporated in Hong Kong in July 2012 under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong, the "**Companies Ordinance**") (company number: 1772753). As of the date of this Offering Circular, the registered office of China Securities International is at 18/F, Two Exchange Square, Central, Hong Kong.

China Securities International is the primary overseas platform of the Group. It plays a key role in the Group's strategy of becoming an international financial services provider by leading the Group's overseas business development. Strategically located in Hong Kong, China Securities International takes advantage of the access to both the onshore and offshore markets and the transferability of the Renminbi and Hong Kong dollar and serves as a linkage between the Group's onshore business and offshore funding and investment opportunities.

China Securities International provide a range of corporate financing products and services to various enterprises, institutions and high-end customers by carrying out corporate financing, asset management, securities brokerage, investment research and other businesses. The subsidiaries of China Securities International engage in businesses including securities brokerage, asset management, corporate finance, investment consulting, futures trading, proprietary investment and insurance brokerage. Three subsidiaries of China Securities International are licensed by the Securities and Futures Commission of Hong Kong for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. A subsidiary of China Securities International holds an Insurance Broker Company Licence issued by the Insurance Authority of Hong Kong.

For the years ended 31 December 2021, 2022 and 2023, the revenue of China Securities International were HK$260.7 million, HK$290.4 million (before and after restatements) and HK$276.8 million (US$35.4 million), respectively. Operating profit was HK$231.2 million, HK$200.5 million (before and after restatements) and HK$827.8 million (US$106.0 million) for the years ended 31 December 2021, 2022 and 2023, respectively, while net profit was recorded at HK$112.1 million for the year ended 31 December 2021 and HK$215.8 million (US$27.6 million) for the year ended 31 December 2023, and net loss was recorded at HK$117.0 million (before restatements) for the year ended 31 December 2022 and HK$117.1 million (after restatements) for the year ended 31 December 2022. As of 31 December 2021, 2022 and 2023, the total assets of China Securities International were HK$15,500.2 million, HK$21,550.5 million (before restatements), HK$21,543.9 million (after restatements) and HK$26,205.1 million (US$3,354.9 million), while its total liabilities were HK$11,383.9 million, HK$17,756.5 million (before restatements), HK$17,748.7 million (after restatements) and HK$22,104.4 million (US$2,829.9 million), respectively.

THE ISSUER

The Issuer was incorporated as a BVI business company with limited liability on 7 July 2015 in the British Virgin Islands under the BVI Business Companies Act (As Revised). Its registered office is located at Luna Tower, Waterfront Drive, Road Town, Tortola, VG1110, British Virgin Islands, and its registration number is 1881683. The Issuer is wholly owned by the Company. Under the Issuer's memorandum and articles of association, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes are outstanding, the Issuer will limit its permitted activities as described under "Terms and Conditions of the Notes." The Issuer's primary purpose is to act as one of the Group's financing subsidiaries to issue and hold the Notes. The Issuer has no material business nor assets and does not have any employees. In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

OFFER STRUCTURE

The following is a description of the structure of the offering of the Notes, which should be read in conjunction with the sections entitled "Risk Factors", "Terms and Conditions of the Notes" and "Description of the Keepwell Deed".

THE NOTES AND THE GUARANTEES OF THE NOTES

The Notes will be issued by the Issuer. Subject to the Terms and Conditions of the Notes, the Notes and the Receipts and Coupons (each as defined in Terms and Conditions of the Notes) relating to them will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them will, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

With respect to the Guaranteed Notes, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Guaranteed Notes and, if applicable, the Receipts and the Coupons. With respect to the KW Notes, CSIF Holding will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the KW Notes and, if applicable, the Receipts and Coupons. The KW Notes will also have the benefit of the Keepwell Deed. The payment obligations of the relevant Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of such Guarantor. With respect to the KW Notes only, the obligations of the Company under "*The Keepwell Deed*" described below will apply.

The Issuer was incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of CSIF Holding as well as an indirect wholly-owned subsidiary of the Company.

THE KEEPWELL DEED

The Issuer, CSIF Holding, the Company and the Trustee has entered into a Keepwell Deed (as further described in the section entitled "Description of the Keepwell Deed"), which is only applicable to the KW Notes and not to the Guaranteed Notes. Defined terms used in this section shall have the meanings given to them in the Keepwell Deed.

Under the Keepwell Deed, the Company undertakes with the Issuer, CSIF Holding and the Trustee that: for so long as any KW Note or Receipt or Coupon relating to a KW Note remains outstanding, it shall cause (i) CSIF Holding to have a Consolidated Net Worth of at least HKD1.00 at all times; (ii) each of the Issuer and CSIF Holding to have sufficient liquidity to ensure timely payment by each of the Issuer and CSIF Holding of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the KW Notes and the Guarantee of the KW Notes in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement); and (iii) each of the Issuer and CSIF Holding to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards. See "*Risk Factors – Risks Relating to the Keepwell Deed – The Keepwell Deed is not a guarantee of the payment obligations under the KW Notes and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company*".

SUMMARY OF THE PROGRAMME

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

Issuer	CSCIF Hong Kong Limited (Legal entity identifier (LEI): 254900I8Y7Q0BV4W5W20).
Guarantor	In the case of an issue of KW Notes, China Securities (International) Finance Holding Company Limited (中信建投(國際)金融控股有限公司) and in the case of an issue of Guaranteed Notes, CSC Financial Co., Ltd. (中信建投証券股份有限公司).
Keepwell Provider	In the case of an issue of KW Notes only, CSC Financial Co., Ltd. (中信建投証券股份有限公司)
Description	Guaranteed Medium Term Note Programme.
Size	Up to U.S.$4,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer and the relevant Guarantor may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer, CSIF Holding or the Company (as applicable) to fulfil their respective obligations in respect of the Notes, the Guarantees and the Keepwell Deed are discussed under "*Risk Factors*".
Arrangers and Dealers	China Securities (International) Corporate Finance Company Limited, China CITIC Bank International Limited and The Hongkong and Shanghai Banking Corporation Limited. The Issuer and the relevant Guarantor may from time to time terminate the appointment of any Dealer under the Programme or appoint Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*"). Further restrictions may apply in connection with any particular Series or Tranches of Notes.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.

Issuing and Paying Agent, Paying Agent, Registrar, Transfer Agent and (where appointed) Calculation Agent	The Hongkong and Shanghai Banking Corporation Limited.
CMU Lodging and Paying Agent.	The Hongkong and Shanghai Banking Corporation Limited.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and/or the issue price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the Issue Date, the issue price, the first payment of interest on them, nominal amount of the Tranche, the timing for submission of the NDRC Post-Issue Filing (if applicable) and the timing for completion of the Cross-border Security Registration, will be identical to the terms of other Tranches of the same Series in the case of an issue of Guaranteed Notes only) will be completed in the Pricing Supplement.
Issue Price.	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer or registered form as described in "*Terms and Conditions of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Tranche of Registered Notes will initially be represented by a Global Certificate. Where TEFRA D (as defined below) is applicable, Bearer Notes must initially be issued in the form of a temporary Global Note, exchangeable for permanent Global Notes or Definitive Notes upon certification of non-U.S. beneficial ownership.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other clearing system as may be selected by the Issuer and the relevant Guarantor and approved by the Issuing and Paying Agent, the Trustee and if applicable, the Registrar.

Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note or Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the relevant Guarantor, the Trustee, the Issuing and Paying Agent and the relevant Dealer(s). Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies.	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the relevant Guarantor and the relevant Dealer(s).
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the relevant Guarantor and the relevant Dealer(s).
Specified Denomination	Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the relevant Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, the relevant Guarantor and the relevant Dealer(s).

Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: • on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or • by reference to EURIBOR, HIBOR or CNH HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or • on such other basis as may be agreed between the Issuer, the relevant Guarantor and the relevant Dealer(s). Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in the Terms and Conditions of the Notes) will be made in such currencies, and based on such rates of exchange, as the Issuer, the relevant Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in prices of securities or commodities or to such other factors as the Issuer, the relevant Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable (detailed in a formula, index or otherwise). Unless permitted by then-current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Optional Redemption	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement as further described in Condition 6(e) and Condition 6(f), respectively, of the Terms and Conditions of the Notes.
Redemption for Change of Control	Following the occurrence of a Change of Control, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of such Noteholder's Note at 101 per cent. of their nominal amount, together in each case with accrued interest, as further described in Condition 6(d) of the Terms and Conditions of the Notes.
Redemption for Taxation Reasons	Notes will be redeemable at the Issuer's option prior to maturity for taxation reasons as further described in Condition 6(c) of the Terms and Conditions of the Notes.
Redemption for Non-Registration	In the case of the Guaranteed Notes, any Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all, but not some only, of such Noteholder's Note at 100 per cent. of their nominal amount, together in each case with accrued interest, as further described in Condition 6(g) of the Terms and Conditions of the Notes.
Status of Notes.	The Notes and any Receipts and Coupons relating to them will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

Status of the Guarantee	The payment obligations of the relevant Guarantor under the relevant Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a) of the Terms and Conditions of the Notes, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of such Guarantor.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Notes.
Cross-Acceleration	The Terms and Conditions of the Notes will contain a cross-acceleration provision as described in Condition 10(c) of the Terms and Conditions of the Notes.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer or the relevant Guarantor in respect of the Notes, the Receipts and Coupons or under the relevant Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong, the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. The Issuer or (as the case may be) the relevant Guarantor will, subject to certain customary exceptions, pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required. As further described in Condition 8 of the Terms and Conditions of the Notes.
Ratings	The Programme has been assigned a rating of "BBB+" by S&P and a rating of "BBB+" by Fitch for the issuances of Guaranteed Notes and KW Notes and a rating of Baa1 by Moody's for the issuance of Guaranteed Notes. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.
Governing Law and Jurisdiction .	English law with the submission to the exclusive jurisdiction of Hong Kong courts.

Listing and Admission to Trading	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Hong Kong Stock Exchange or listed, traded or quoted on or by any other competent authority, exchange or quotation system. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong, the PRC, Singapore and the British Virgin Islands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*". Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the Code ("**TEFRA C**") or (ii) the Bearer Notes are issued other than in compliance with TEFRA D or TEFRA C. In the case of Bearer Notes, only Notes with a term of 365 days or less (taking into account any unilateral extensions and rollovers) will be issued other than in compliance with TEFRA D or TEFRA C and will be referred to in the relevant Pricing Supplement as a transaction to which the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") is not applicable. Bearer Notes with a term of more than 365 days (taking into account any unilateral extensions and rollovers) that are held through the CMU must be issued in compliance with TEFRA C, unless at the time of issuance the CMU and CMU Lodging and Paying Agent have procedures in place so as to enable the Issuer to comply with the certification requirements under TEFRA D.
Keepwell Deed	The Issuer, CSIF Holding, the Company and the Trustee has entered into the Keepwell Deed, which is only applicable to the KW Notes, as further described in "*Description of the Keepwell Deed*".

SELECTED FINANCIAL INFORMATION OF THE GROUP

The summary audited consolidated financial information of the Group as at and for the year ended 31 December 2021 and the summary audited and before restatement consolidated financial information of the Group as at and for the year ended 31 December 2022 as set forth below is extracted from the Group's consolidated financial statements as at and for the year ended 31 December 2022, which were prepared by management of the Company in accordance with IFRS and have been audited by PwC in accordance with International Standards on Auditing.

The summary consolidated financial information of the Group as at and for the year ended 31 December 2023 is derived from the 2023 Audited Consolidated Financial Statements of the Company, which were prepared by management of the Company in accordance with IFRS and have been audited by KPMG in accordance with International Standards on Auditing.

*When preparing the 2023 Audited Consolidated Financial Statements of the Company, the Group adopted certain accounting policy changes and made retrospective adjustments, including adjustments to comparable period financial information. Accordingly, the Group restated the corresponding figures as at and for the year ended 31 December 2022 in the 2023 Audited Consolidated Financial Statements of the Company (the "****2022 Restated Consolidated Financial Information of the Company****"). The 2022 Restated Consolidated Financial Information of the Company has not been audited or reviewed and may differ from the 2022 Audited Consolidated Financial Statements of the Company, which are presented before restatement. The summary unaudited and restated consolidated financial information of the Group as at and for the year ended 31 December 2022 as set forth below is extracted from the 2023 Audited Consolidated Financial Statements of the Company.*

Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of the Company and the 2022 Audited Consolidated Financial Statements of the Company to evaluate the Group's financial condition and results of operations. Please see "Risk Factors – Risks Relating to The Group's Business and Industry – Our historical financial information may not be directly comparable and we may face risks related to changes in accounting standards".

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant Audited Consolidated Financial Statements of the Company and the notes thereto included elsewhere in this Offering Circular. The Group's historical consolidated financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2021	2022		2023	
	RMB	RMB		RMB	US$
	(audited)	(audited and before restatement)	(unaudited and restated)	(audited)	(unaudited)
			(in thousands)		
Fee and commission income	15,357,591	15,542,955	15,542,955	14,402,652	2,028,571
Interest income	8,984,511	9,532,551	9,532,551	10,117,898	1,425,076
Net investment gains	8,024,083	4,532,155	4,532,155	6,841,744	963,639
	32,366,185	29,607,661	29,607,661	31,362,294	4,417,287
Other income	6,666,772	6,863,120	6,863,120	2,617,138	368,616
Total revenue and other income	**39,032,957**	**36,470,781**	**36,470,781**	**33,979,432**	**4,785,903**
Fee and commission expenses	(1,920,970)	(1,773,490)	(1,773,490)	(2,332,552)	(328,533)
Interest expenses	(7,234,074)	(7,141,940)	(7,141,940)	(8,406,078)	(1,183,971)
Staff costs	(7,851,617)	(7,891,647)	(7,891,647)	(7,972,590)	(1,122,916)
Tax and surcharges	(167,801)	(155,984)	(155,984)	(130,308)	(18,353)
Other operating expenses and costs	(9,106,393)	(9,738,227)	(9,738,227)	(6,895,434)	(971,202)
Credit impairment reversals/(losses)	297,871	(284,803)	(284,803)	130,343	18,358
Impairment losses on other assets	(31,291)	(25,980)	(25,980)	(8,417)	(1,186)
Total expenses	**(26,014,275)**	**(27,012,071)**	**(27,012,071)**	**(25,615,036)**	**(3,607,802)**
Operating profit	**13,018,682**	**9,458,710**	**9,458,710**	**8,364,396**	**1,178,101**
Share of profits of associates	2,144	13,516	13,516	7,373	1,038
Profit before income tax	**13,020,826**	**9,472,226**	**9,472,226**	**8,371,769**	**1,179,139**
Income tax expense	(2,785,762)	(1,954,768)	(1,942,644)	(1,324,423)	(186,541)
Profit for the year	**10,235,064**	**7,517,458**	**7,529,582**	**7,047,346**	**992,598**
Attributable to:					
Equity holders of the Company	10,238,704	7,507,304	7,519,428	7,034,486	990,787
Non-controlling interests	(3,640)	10,154	10,154	12,860	1,811
	10,235,064	7,517,458	7,529,582	7,047,346	992,598
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB yuan per share) – Basic and diluted	1.25	0.86	0.86	0.78	

Note:

(1) The gray area in the above table means the line item is not applicable for the specified year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2021	2022		2023	
	RMB	RMB		RMB	US$
	(audited)	(audited and before restatement)	(unaudited and restated)	(audited)	(unaudited)
			(in thousands)		
Profit for the year	**10,235,064**	**7,517,458**	**7,529,582**	**7,047,346**	**992,598**
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	644,576	(299,156)	(299,156)	268,925	37,877
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	13,358	(197,193)	(197,193)	29,746	4,190
Income tax relating to these items	(163,450)	107,029	107,029	(64,085)	(9,026)
	494,484	(389,320)	(389,320)	234,586	33,041
Share of other comprehensive income of associates	25	(50)	(50)	34	5
Foreign currency translation differences	(58,698)	301,472	301,472	61,428	8,652
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	(105,282)	(15,772)	(15,772)	(25,636)	(3,611)
Income tax relating to these items	37,536	—	—	—	—
	(67,746)	(15,772)	(15,772)	(25,636)	(3,611)
Other comprehensive income/(loss) for the year, net of tax	**368,065**	**(103,670)**	**(103,670)**	**270,412**	**38,087**
Total comprehensive income for the year	**10,603,129**	**7,413,788**	**7,425,912**	**7,317,758**	**1,030,685**
Attributable to:					
Equity holders of the Company	10,606,769	7,403,634	7,415,758	7,304,898	1,028,873
Non-controlling interests	(3,640)	10,154	10,154	12,860	1,811
	10,603,129	7,413,788	7,425,912	7,317,758	1,030,685

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2021	2022		2023	
	RMB	RMB		RMB	US$
	(audited)	(audited and before restatement)	(unaudited and restated) (in thousands)	(audited)	(unaudited)
Non-current assets					
Property, plant and equipment	701,008	670,051	670,051	799,929	112,668
Right-of-use assets	1,822,761	1,855,388	1,855,388	1,477,583	208,113
Investment properties	49,146	38,142	38,142	43,823	6,172
Intangible assets	519,133	670,381	670,381	827,251	116,516
Investments in associates	111,002	107,524	107,524	114,656	16,149
Financial assets at fair value through profit or loss	7,576,009	9,161,354	9,161,354	10,034,677	1,413,355
Financial assets at fair value through other comprehensive income	—	—	—	1,400	197
Financial assets held under resale agreements	9,906	4,868	4,868	29,887	4,209
Refundable deposits	10,395,629	10,881,160	10,881,160	12,741,491	1,794,601
Deferred tax assets	1,967,844	1,892,937	1,143,449	428,316	60,327
Other non-current assets	94,082	92,558	92,558	361,708	50,946
Total non-current assets	**23,246,520**	**25,374,363**	**24,624,875**	**26,860,721**	**3,783,253**
Current assets					
Margin accounts	57,808,146	52,870,595	52,870,595	56,392,572	7,942,728
Accounts receivable	23,075,172	10,825,581	10,825,581	9,680,222	1,363,431
Financial assets at fair value through profit or loss	153,971,907	178,149,786	178,149,786	204,157,742	28,755,017
Financial assets at fair value through other comprehensive income	48,358,146	70,719,979	70,719,979	75,801,856	10,676,468
Derivative financial assets	2,517,942	2,863,416	2,863,416	4,185,151	589,466
Financial assets held under resale agreements	19,011,848	25,546,432	25,546,432	13,912,409	1,959,522
Cash held on behalf of clients	88,118,755	103,904,955	103,904,955	93,944,908	13,231,864
Cash and bank balances	36,002,716	38,944,880	38,944,880	36,620,725	5,157,921
Other current assets	680,274	755,511	755,511	1,195,882	168,436
Total current assets	**429,544,906**	**484,581,135**	**484,581,135**	**495,891,467**	**69,844,852**
Total assets	**452,791,426**	**509,955,498**	**509,206,010**	**522,752,188**	**73,628,106**
Current liabilities					
Accounts payable to brokerage clients	93,082,812	109,294,147	109,294,147	100,923,675	14,214,802
Lease liabilities	444,289	512,432	512,432	480,880	67,731
Derivative financial liabilities	4,295,326	3,258,544	3,258,544	4,360,558	614,172
Financial liabilities at fair value through profit or loss	2,345,498	6,491,380	6,491,380	5,185,063	730,301
Financial assets sold under repurchase agreements	99,595,667	122,153,951	122,153,951	129,461,728	18,234,303
Placements from banks and other financial institutions	8,528,656	8,724,569	8,724,569	1,904,048	268,180
Taxes payable	1,486,151	941,312	941,312	363,965	51,263
Short-term borrowings	987,374	1,243,577	1,243,577	473,460	66,685
Short-term financing instruments payable	18,290,179	19,541,248	19,541,248	37,701,659	5,310,168
Other current liabilities	75,365,016	74,037,483	74,037,483	57,531,977	8,103,209
Total current liabilities	**304,420,968**	**346,198,643**	**346,198,643**	**338,387,013**	**47,660,814**
Net current assets	**125,123,938**	**138,382,492**	**138,382,492**	**157,504,454**	**22,184,038**
Total assets less current liabilities	**148,370,458**	**163,756,855**	**163,007,367**	**184,365,175**	**25,967,292**

	As at 31 December				
	2021	2022		2023	
	RMB	RMB		RMB	US$
	(audited)	(audited and before restatement)	(unaudited and restated) (in thousands)	(audited)	(unaudited)
Non-current liabilities					
Financial liabilities at fair value through profit or loss	5,454,391	5,815,574	5,815,574	4,959,247	698,495
Bonds in issue	60,020,192	62,210,438	62,210,438	80,643,971	11,358,466
Lease liabilities	1,359,022	1,371,584	1,371,584	1,065,204	150,031
Deferred tax liabilities	1,525,316	1,068,210	311,861	166,832	23,498
Other non-current liabilities	5,253	2,368	2,368	3,514	495
Total non-current liabilities	**68,364,174**	**70,468,174**	**69,711,825**	**86,838,768**	**12,230,985**
Net assets	**80,006,284**	**93,288,681**	**93,295,542**	**97,526,407**	**13,736,307**
Equity					
Share capital	7,756,695	7,756,695	7,756,695	7,756,695	1,092,508
Other equity instruments	14,937,500	24,906,528	24,906,528	24,906,528	3,508,011
Reserves	31,323,286	33,396,344	33,398,108	35,665,798	5,023,423
Retained earnings	25,800,975	27,184,779	27,189,876	29,149,026	4,105,554
Equity attributable to equity holders of the Company	79,818,456	93,244,346	93,251,207	97,478,047	13,729,496
Non-controlling interests	187,828	44,335	44,335	48,360	6,811
Total equity	**80,006,284**	**93,288,681**	**93,295,542**	**97,526,407**	**13,736,307**

According to the regulations regarding the engagement and management of intermediary institutions stipulated by regulatory authorities such as the Ministry of Finance of the People's Republic of China, the continuous engagement of the same accounting firm by the Company shall be subject to a limited tenure. After the completion of the audit work and issuance of the auditor's report for the 2022 Audited Consolidated Financial Statements of the Company, the continuous engagement of PwC has reached the stipulated tenure. As a result, PwC retired as the auditor of the Company, effective from the conclusion of the 2022 annual general meeting of the Company convened in June 2023.

The Board of Directors of the Company has resolved to recommend the appointment of KPMG as the Company's external auditors for the year 2023, responsible for providing related annual audit services in accordance with International Standards on Auditing and interim review services in accordance with International Standard on Review Engagements 2410, respectively. The above proposed change of auditors has been approved by the shareholders of the Company at the 2022 annual general meeting of the Company convened in June 2023.

SELECTED FINANCIAL INFORMATION OF CSIF HOLDING

The summary audited consolidated financial information of CSIF Holding Group as at and for the year ended 31 December 2021 and the summary audited and before restatement consolidated financial information of CSIF Holding Group as at and for the year ended 31 December 2022 as set forth below is extracted from consolidated financial statements of CSIF Holding Group as at and for the year ended 31 December 2022, which were prepared by management of CSIF Holding in accordance with HKFRS and have been audited by PwC in accordance with Hong Kong Standards on Auditing.

The summary consolidated financial information of CSIF Holding Group as at and for the year ended 31 December 2023 is derived from the 2023 Audited Consolidated Financial Statements of CSIF Holding, which were prepared by management of CSIF Holding in accordance with HKFRSs and have been audited by KPMG in accordance with Hong Kong Standards on Auditing.

*When preparing the 2023 Audited Consolidated Financial Statements of CSIF Holding, CSIF Holding Group applied certain accounting policy changes and made retrospective adjustments, including adjustments to comparable period financial information. Accordingly, CSIF Holding Group restated the corresponding figures as at and for the year ended 31 December 2022 in the 2023 Audited Consolidated Financial Statements of CSIF Holding (the "**2022 Restated Consolidated Financial Information of CSIF Holding**"). The 2022 Restated Consolidated Financial Information of CSIF Holding has not been audited or reviewed and may differ from the 2022 Audited Consolidated Financial Statements of CSIF Holding, which are presented before restatement. The summary unaudited and restated consolidated financial information of CSIF Holding Group as at and for the year ended 31 December 2022 as set forth below is extracted from the 2023 Audited Consolidated Financial Statements of CSIF Holding.*

Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of CSIF Holding and the 2022 Audited Consolidated Financial Statements of CSIF Holding to evaluate the financial condition and results of operations of CSIF Holding Group. Please see "Risk Factors – Risks Relating to the Business of CSIF Holding – The historical financial information of China Securities International may not be directly comparable and China Securities International may face risks related to changes in accounting standards."

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant Audited Consolidated Financial Statements of CSIF Holding and the notes thereto included elsewhere in this Offering Circular. CSIF Holding's historical consolidated financial information should not be taken as an indication of its future financial performance.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2021	2022		2023	
	HK$	HK$		HK$	US$
	(audited)	(audited and before restatement)	(unaudited and restated)	(audited)	(unaudited)
			(in thousands)		
Revenue	**260,749**	**290,382**	**290,382**	**276,799**	**35,438**
Other income	282,174	528,930	535,642	755,612	96,738
Other (loss)/gain, net	55,793	(201,173)	(207,885)	222,308	28,461
Administrative and other operating expenses	(367,268)	(409,979)	(409,979)	(430,033)	(55,055)
(Provision for)/Reversal of provision for credit impairment losses on financial assets	(244)	(7,671)	(7,671)	3,091	396
Operating Profit	**231,204**	**200,489**	**200,489**	**827,777**	**105,977**
Finance costs	(120,368)	(275,990)	(275,990)	(607,673)	(77,798)
Share of profit of investment in an associate	2,370	–	–	–	–
Gain on disposal of investment in an associate	20,887	–	–	–	–
(Loss)/profit before tax	**134,093**	**(75,501)**	**(75,500)**	**220,104**	**28,179**
Income tax	(21,957)	(41,539)	(41,595)	(4,350)	(557)
(Loss)/profit for the year	**112,136**	**(117,040)**	**(117,095)**	**215,754**	**27,622**
OTHER COMPREHENSIVE INCOME					
Other comprehensive income for the year					
Items that are or may be reclassified subsequently to profit or loss:					
Changes in fair value of debt instruments designated as at fair value through other comprehensive income	(5,864)	(223,569)	(215,851)	67,686	8,666
Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal			(7,718)	73,920	9,464
Impact of deferred tax	967	36,889	36,889	(23,365)	(2,991)
Currency translation differences	107	(216)	(216)	314	40
Items that will not be reclassified subsequently to profit or loss					
Changes in fair value of investment in equity instrument designated as at fair value through other comprehensive income	54,095	(18,280)	(18,280)	(28,726)	(3,678)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**49,305**	**(205,176)**	**(205,177)**	**89,829**	**11,500**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**161,441**	**(322,216)**	**(322,272)**	**305,583**	**39,123**

Note:

(1) The gray area in the above table means the line item is not applicable for the specified year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2021	2022		2023	
	HK$	HK$		HK$	US$
	(audited)	(audited and before restatement)	(unaudited and restated) (in thousands)	(audited)	(unaudited)
Non-current assets					
Property, plant and equipment	19,659	19,742	19,742	18,632	2,385
Right-of-use assets	160,186	78,123	78,123	47,882	6,130
Other long-term assets	23,077	25,887	25,887	23,629	3,025
Intangible asset	1,000	1,000	1,000	1,000	128
Deferred tax assets	78,841	99,388	92,750	60,162	7,702
Prepayments, deposits and other receivables	15,027	12,233	12,233	13,342	1,708
Total non-current assets	**297,790**	**236,373**	**229,735**	**164,647**	**21,079**
Current assets					
Financial assets at fair value through other comprehensive income	2,686,279	7,015,603	7,015,603	9,630,056	1,232,900
Accounts receivable	777,582	980,030	980,030	1,559,854	199,702
Prepayments, deposits and other receivables	84,663	124,952	124,952	137,743	17,635
Financial assets at fair value through profit or loss	7,982,269	10,330,659	10,330,659	11,479,760	1,469,710
Amount due from immediate holding company	191,703	786,603	786,603	707,386	90,564
Amount due from a fellow subsidiary	80,789	73,945	73,945	72,850	9,327
Bank trust account balances	1,929,585	1,323,129	1,323,129	975,437	124,882
Cash and cash equivalents	1,469,493	679,247	679,247	1,477,390	189,145
Total current assets	**15,202,363**	**21,314,168**	**21,314,170**	**26,040,475**	**3,333,864**
Current liabilities					
Accounts payable	2,016,932	2,422,984	2,422,984	2,129,008	272,569
Other payables and accruals	146,279	227,936	227,936	306,789	39,277
Lease liabilities	44,492	31,726	31,726	33,104	4,238
Financial liabilities at fair value through profit or loss	47,133	375,400	375,400	332,347	42,549
Bank borrowings	1,207,649	6,727,443	6,727,443	5,105,357	653,620
Notes payable	–	113,049	113,049	855,759	109,560
Bonds payable			–	3,903,934	499,806
Tax payable	232	11,799	11,799	6,539	837
Total current liabilities	**3,462,717**	**9,910,337**	**9,910,337**	**12,672,837**	**1,622,455**
Net current assets	**11,739,646**	**11,403,831**	**11,403,832**	**13,367,637**	**1,711,408**
Non-current liabilities					
Deferred tax liabilities	5,644	19,279	11,539	–	–
Lease liabilities	122,712	53,075	53,075	19,971	2,557
Bonds payable	7,792,787	7,773,772	7,773,772	9,411,550	1,204,925
Total non-current liabilities	**7,921,143**	**7,846,126**	**7,838,387**	**9,431,521**	**1,207,482**
Net assets	**4,116,293**	**3,794,078**	**3,795,180**	**4,100,764**	**525,005**
Equity					
Equity attributable to the owner of the Company					
Share capital	4,000,000	4,000,000	4,000,000	4,000,000	512,105
(Accumulated loss)/retained earnings	77,282	(39,757)	(38,655)	177,099	22,673
Reserves	39,013	(166,164)	(166,164)	(76,335)	(9,773)
Total equity	**4,116,295**	**3,794,078**	**3,795,180**	**4,100,764**	**525,005**

Note:

(1) The gray area in the above table means the line item is not applicable for the specified year.

RISK FACTORS

An investment in the Notes is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Notes. The following describes some of the significant risks that could affect the Issuer, CSIF Holding, the Company, the Group and the value of the Notes. Some risks may be unknown to the Issuer, CSIF Holding, the Company and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer, CSIF Holding, the Company and the Group. The market price of the Notes could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer, CSIF Holding, the Company or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Company and the Group may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC.

The risks described below are not the only risks that may affect CSIF Holding, the Group or the Notes. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect CSIF Holding's and the Group's businesses, financial condition and results of operations. If any of the possible events described below occur, CSIF Holding's and Group's businesses, financial condition and results of operations could be materially and adversely affected. In such case, CSIF Holding or the Group may not be able to satisfy its obligations under the Notes, and investors could lose all or part of their investment.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

General global and PRC economic and market conditions could adversely affect our business.

General global and PRC economic and market conditions could adversely affect our business. General economic and political conditions, such as macroeconomic and monetary policies, legislation and regulations on the financial and securities industries, market volatility, upward and downward trends in the market, business and financial sectors, currency and interest rate fluctuations, availability of short-term and long-term market funding sources and cost of funding, could affect our business. As a securities firm, our business is directly affected by the inherent risks associated with the securities market, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes and the creditworthiness or the perceived creditworthiness of the securities industry in the marketplace.

Global political and economic conditions may affect the financial market conditions in the PRC. Any sudden and dramatic changes in the global and PRC financial market conditions could materially and adversely affect our operational and financial condition. As the PRC capital market is still evolving, market conditions may change rapidly. In response to the sudden and significant market fluctuations, the PRC Government initiated a series of measures to stabilise the market, which have and will continue to impact our business.

In addition, continuous downturns in general economic conditions and adverse capital markets conditions in the PRC could materially and adversely affect our business, operating results, financial condition and prospects in various ways, including but not limited to the following:

- the financing demand of our clients could decrease, which could adversely affect our underwriting and sponsor fees from investment banking business, further leading to a decline in our revenue from investment banking business;

- the demand of our clients for securities trading could decrease, which could adversely affect our securities brokerage business and securities financing business, further leading to a decline in our revenue in related fees, commissions and interest income;

- the value and returns of financial assets we hold for securities trading and investment and the value of our asset management product portfolio may be adversely affected by market volatility, and our opportunities to exit and realise value from our investments may also be reduced;

- we may face increased default risks that our client or counterparty may fail to perform its contractual obligations;

- our financing cost may increase due to our limited access to liquidity and the capital markets, and therefore restrict our ability to raise funds to develop our business; and

- we may not be able to effectively execute our business plans and strategies.

While the economy in China has grown significantly over the past decades, the growth has been uneven, both geographically and among various sectors of the economy. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect the financial market conditions in China. In addition, there is considerable uncertainty in the outlook for world economy and financial markets, including concerns over the escalating trade disputes between China and the United States and the designation of China as a "currency manipulator" by the U.S. government, the withdrawal of the United Kingdom from the European Union and the significant decrease in the crude oil price due to the international-wide travel restrictions and the 2020 Russia-Saudi Arabia oil price war. The uncertain global financial market conditions may further affect the financial market conditions in China. For example, the PRC financial market has experienced significant volatility as a result of the escalating trade tension between China and the United States in 2020. Concerns over possible inflation or deflation, uncertainty relating to currency exchange rates and interest rates, the availability and cost of credit, the sovereign debt crisis in Europe, volatility in commodity and oil prices, geopolitical issues, policy changes affecting international trade and the imposition of tariffs, and unstable financial markets and the global housing and mortgage markets have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. For example, recent Russian military actions across Ukraine since February 2022 have led to a significant increase in international crude oil and natural gas prices. Such military actions, and sanctions in response thereof as well as escalation of conflict, could significantly affect prices and demand in global energy market and cause turmoil in the capital markets and generally in the global financial system.

Each of our business segments may be affected by the general economic and market conditions in different ways: intensified market competition could result in lower commission and fee income from the Group's securities brokerage businesses and investment banking businesses and higher volatility of securities trading volume, which would adversely affect the stability of revenue from our securities brokerage business; poor financial conditions could affect the fair value of our financial assets, which could impact the profitability of our proprietary trading business; market volatility and adverse economic conditions may affect the performance of the assets or funds we manage and reduce our assets under management, which could adversely affect our ability to receive asset management fees or performance fees; and unfavourable economic conditions and other adverse geopolitical conditions may negatively impact investor confidence and corporate finance activities, which could result in significant declines in securities trading volume and other corporate finance activities and hence adversely affect the revenue and profitability of our investment banking business.

Our business may be adversely affected by changes in regulatory environment and measures in the PRC and other jurisdictions where we operate.

As a securities firm with principal business in the PRC and Hong Kong, we are subject to extensive regulation in these jurisdictions. The regulatory authorities limit the types of products and services we may offer by imposing capital requirements and restrict our business activities by specifying the types of securities we may invest in. Relevant regulatory authorities make inspections, examinations and inquiries on a regular basis in respect of our compliance with relevant regulatory requirements. For example, the CSRC periodically evaluates and assigns a regulatory rating to each securities firm, including us, based on the firm's risk management capabilities, competitiveness and compliance with regulatory requirements. In addition, we may be subject to various regulations as well as inspections and restrictions imposed by relevant regulatory authorities in other countries and jurisdictions where we operate our business. Any failure to comply with the applicable regulatory requirements could result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to carry out pilot programs and conduct new businesses and may harm our reputation.

We were rated "Class A Grade AA" by the CSRC, the highest rating ever received by PRC securities firms in the past several years. However, there is no assurance that we will be able to maintain such regulatory rating in the future. A downgrade of our regulatory rating may limit our ability to conduct certain businesses or prevent us from obtaining permits or approvals for our new businesses or subject us to a higher risk capital reserve ratio or a higher securities investor protection fund reserve ratio. Any future incidents of non-compliance may have a material and adverse effect on our business, financial condition, operating results, reputation and prospects.

In recent years, regulatory authorities have continuously promulgated new rules and guidances. These new rules and guidances may directly affect our business strategies, competitiveness and prospects. Changes in the rules and regulations could impose more stringent requirements or additional limitations on the business that we conduct, require us to modify our existing business practices and lead to increased compliance costs or competition. Our failure to adapt to the changing regulatory environment and maintain our compliance and competitiveness could have a material and adverse effect on our business, financial condition, operating results and prospects.

Restrictions on foreign equity participation in China's capital market and securities market have been removed gradually in recent years. Under the current framework, qualified foreign-invested securities firms have to obtain full securities business licenses to extend business beyond the previously permitted underwriting and sponsoring of equity and debt, foreign stock brokerage, bond brokerage and proprietary trading. The influx of foreign capital will further increase competition in the market, and may have an adverse impact on our business, financial conditions, operating results and prospects.

We face intense competition in existing and new businesses.

Our businesses face intense competition from numerous and diverse competitors. We primarily compete with other major securities firms in the PRC and Hong Kong. We compete with other financial institutions such as commercial banks and insurance companies across different business sectors in the PRC. In recent years, in the wake of the development of Internet finance, the online businesses of securities firms also face competition from non-traditional financial institutions such as Internet companies.

Commercial banks, insurance companies and other financial institutions have been venturing into the traditional business sectors of securities firms and competing with securities firms in a number of areas by continuous innovation in their products and services. By leveraging their operational network, client base, capital base, and other advantages, commercial banks pose particular threats to securities firms in bond underwriting, financial advisory services, sales of wealth management products, and other domains. In addition, gradually relaxed PRC securities regulations and the trend towards mixed operations in the PRC's financial industry may enable new competitors (such as foreign financial institutions) to enter into the securities industry of the PRC.

Some of our competitors may have certain competitive advantages over us, such as more abundant financial resources, greater brand awareness, more diverse product and service offerings and more advanced IT systems. They may also be more experienced than us and offer a broader range of services and financial products. In addition, they may have more competitive compensation and incentive mechanisms, with more qualified, capable and experienced employees. We may also face competition from competitors in certain business sectors or geographical regions. While these competitors may have less comprehensive offering of products or services or less extensive geographic coverage than us, they may have more experience, better brand recognition and other competitive advantages in their business sectors or geographical regions. Our failure to compete effectively against our competitors may have a material and adverse effect on our business, financial condition, operating results and prospects.

In addition, along with the evolvement of the PRC securities industry, innovative products and services may emerge in the market. We may not be able to maintain our current market share or leading position due to certain difficulties or challenges we may face in offering new products or services. Our failure to maintain our competitive advantages in this business environment will have a material and adverse effect on our businesses, financial condition, operating results and prospects.

Our businesses also face intense price competition. We will likely continue to experience pricing pressures in the future as some of our competitors seek to increase their market shares by lowering prices. In recent years, there has been considerable pressure on commission rates for some of our businesses. In particular, our securities brokerage commission rates have been in decline in recent years, and may further decline due to intense competition in the future. Brokerage clients generally use the Internet and other alternative trading systems to execute electronic trading, putting more pressure on brokerage commission rates. In addition, underwriting fees, financial advisory fees and asset management fees also face pricing pressure. We believe that we will continue to face pressure on commission rates if some of our competitors further lower their prices in order to increase their market shares. Please see "Risk Factors – Risks relating to our business and industry – We generate a significant portion of our revenue from our securities brokerage and securities financing businesses, and reduction in our clients' trading activities or decrease in our brokerage commission rates could materially and adversely affect our operating results and financial condition" and "Risk Factors – Risks relating to our business and industry – Our investment banking business is subject to various risks and there can be no assurance that the income level of our investment banking business can be sustained."

We are subject to strict net capital, risk management, liquidity and other similar regulatory requirements that may restrict our business activities.

We are subject to capital adequacy, risk indicator, liquidity and other requirements imposed by the CSRC, the SAC and other regulatory authorities and self-regulatory organisations. According to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) made by the CSRC, effected on 1 November 2006 and revised on 16 June 2016 and 20 March 2020, the risk coverage ratio (namely net capital divided by the sum of various risk capital reserves times 100%) of a securities company shall not be less than 100%; the capital leverage ratio (namely core net capital divided by total on-and off-balance-sheet assets times 100%) of a securities company shall not be less than 8%; the liquidity coverage ratio (namely high-quality liquid assets divided by net cash outflow for the next 30 days times 100%) of a securities company shall not be less than 100%; and the net steady fund rate (available steady funds divided by required steady funds times 100%) of a securities company shall not be less than 100%. Pursuant to the Administrative Measures above, we have established a dynamic net capital and other risk control indicators monitoring mechanism in an endeavor to comply with statutory regulatory standards on risk control indicators based on net capital.

We are also subject to various liquidity requirements. For example, in June 2016 and effective from 1 October 2016 and in March 2020, the CSRC amended the Administrative Measures above and supporting ancillary measures. These amendments adjust the calculation basis and method of net capital and risk capital reserve, add a capital leverage ratio indicator (net core capital to total off- and on-balance-sheet assets), set a mandatory leverage ratio of no less than 8% and set up indicators for specific business lines. According to the SAC, both the liquidity coverage ratio (ratio of good quality liquid assets to estimated net cash outflow for the following 30 days) and the net stable funding ratio (ratio of available stable funding to stable funding required by business) shall reach 100% by 30 June 2015. We have been in compliance with regulatory requirements in terms of major risk control indicators based on net capital. Our leverage ratio[1] was 4.51x, 4.30x (before restatements), 4.29x (after restatements) and 4.33x as at 31 December 2021, 2022 and 2023, respectively. These requirements may restrict the scope and scale of our business activities, and may require us to adjust our existing business in order to be eligible for new and innovative products and services. Our failure to meet such requirements could lead to sanctions, fines, penalties or other disciplinary actions, including a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may have a material and adverse effect on our business, financial condition, operating results, reputation and prospects.

We generate a significant portion of our revenue from our securities brokerage and securities financing businesses, and reduction in our clients' trading activities or decrease in our brokerage commission rates could materially and adversely affect our operating results and financial condition.

Changes in the macro market and the intensified competition may have an adverse effect on our securities brokerage and securities financing business. Since we have been generating a significant portion of our revenue from our securities brokerage and securities financing business, any decline or slowdown in our securities brokerage and securities financing business could have a material and adverse effect on our total revenue and other income.

Revenue from our securities brokerage business consists primarily of commissions and fees that we generate by executing trades for our clients. Revenue from our securities financing business consists primarily of interest income generated from margin financing and securities lending as well as repurchase business. Revenue from our securities brokerage business depends significantly on the turnover of trading that we execute for our clients and the brokerage commission rates. Revenue from our securities financing business depends on the size as well as the interest rate of margin financing and securities lending. Trading turnover of securities brokerage business and the financing needs for securities financing business are subject to factors including general economic conditions, macroeconomic and monetary policies, conditions of A share market, fluctuations in interest rates and investor behavior, all of which are beyond our control. Any unfavorable market condition may significantly affect our securities trading, resulting in a decrease in turnover or trading scale and in turn lead to a decrease in the fees and commission income from our securities brokerage business or a drop in the interest income from our securities financing business.

In addition, the increasing competition in the PRC securities industry may lead to a decrease in our brokerage commission, which will adversely affect our brokerage business. For example, some of our competitors have launched Internet account opening services ahead of us, which significantly lowered the commission rates charged to brokerage clients, resulting in us correspondingly lowering commission rates to maintain competitiveness. We believe that price competition and pricing pressure will continue as investors are increasingly unwilling to pay for brokerage services, and some of our competitors seek to obtain market share by further reducing brokerage fees and commissions. Moreover, the PRC securities markets are emerging markets characterised by short-term investing behavior among investors, which has resulted in a higher frequency of trading activities by our clients. However, as the capital markets in the PRC develop and our clients become more sophisticated, they may reduce the frequency

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1 Leverage ratio is calculated by dividing the total assets (net of accounts payable to brokerage clients) by equity attributable to the shareholders of the Company.

of their trading activities in the future, which could adversely affect the commissions we derive from our brokerage business. As a result, there is no assurance that our brokerage commission rates and commission income scale can be sustained at current levels.

If we cannot successfully maintain and expand our client base and operational network, our securities brokerage business and its revenue could be materially and adversely affected.

The securities brokerage business is highly competitive and we have to maintain our client base and attract new clients. There is no assurance that we will be able to continue to maintain or grow our client base. If we are unable to address the needs of our clients by maintaining high-quality client service, continuing product innovation, providing value-added services, or if we otherwise fail to meet our clients' demands or expectations, we may lose our existing clients to our competitors or fail to attract new clients. As a result, our business, financial condition and operating results may be adversely affected.

We serve clients of our securities brokerage business and manage client relationships primarily through our network of securities branches. As at 31 December 2023, we had 278 securities business departments in the PRC. However, there is no assurance that we will be successful in further expanding our operational network due to regulatory changes, difficulties in managing a relatively larger pool of retail brokerage staff and other unforeseeable factors. We may not be able to maintain our current market-leading position in the number of operating outlets and any failure to maintain our competitiveness may have a material and adverse effect on our business, financial condition, operating results and prospects.

In addition, the prevalence of online retail brokerage business in the PRC exposes us to competitive pressure on commission rates from small securities firms with relatively low costs and securities firms which carry out brokerage services primarily through online trading platforms. If we are unable to provide differentiated products and services, our business, financial condition, operating results and prospects may be adversely affected.

Our investment banking business is subject to various risks and there can be no assurance that the income level of our investment banking business can be sustained.

Market fluctuations and changes in regulatory policies may adversely affect our investment banking business. Our investment banking business has been and may in the future be adversely affected by economic and market conditions. Poor economic conditions may adversely affect investor confidence, resulting in significant industry-wide declines in the size and number of securities offerings and merger and acquisition ("**M&A**") transactions, which could have an adverse effect on our revenue from and profit margin for the investment banking business. Adverse capital market conditions and market volatility may also cause delays to, or the termination of, securities offerings underwritten or sponsored by us and M&A transactions advised by us, which may materially and adversely affect our revenue from the investment banking business. In addition, along with the continuous evolvement of securities market in the PRC, new products and services in the investment banking business may emerge. We may not be able to maintain our current market share due to certain difficulties or challenges we may face in offering new products or services, which could have a material and adverse effect on our investment banking business.

Transactions we are involved in are subject to uncertainties due to regulatory approvals. Initial public offerings ("**IPOs**") in the PRC and certain types of M&A transactions of listed companies are subject to approvals by various regulatory authorities. Approval processes and the results and timing of the various inspections conducted by the CSRC from time to time are beyond our control and may cause substantial delays to, or the suspension of, securities offerings underwritten by us or M&A transactions advised by us. We may experience delay in, or suspension of, securities offerings underwritten and sponsored by us as a result of unfavorable market conditions such as the market volatility in the future.

Furthermore, the PRC regulatory requirements on investment banking business continue to change, including the implementation of a compensation regime in which sponsors are required to compensate investors for their losses resulting from false disclosures in IPOs before issuers' compensation liability can be determined. In addition, PRC securities firms are facing increasing challenges in terms of deal execution, client development, pricing and underwriting capabilities. If we are unable to adjust our business practices and strategies to meet these new challenges, we may not be able to compete effectively in the PRC securities industry, which could in turn materially and adversely affect income from our investment banking business. In addition, if we are under investigation due to fraud committed by our clients, the CSRC may suspend the review of the proposed offerings underwritten or sponsored by us, which may adversely affect our business and operating results.

In addition, in acting as a sponsor in securities offering and listing, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions or may be otherwise legally liable in the PRC and in Hong Kong and/or our reputation may be affected due to inadequate due diligence in connection with compliance supervision after the offerings and transactions, fraud or misconduct committed by issuers, other sponsors, their agents or our staff, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting process, which may adversely affect our business and operating results. The issuers of the bonds underwritten or sponsored by us may default due to various reasons, which may result in investors' losses and therefore subject us to the litigation and reputational risks. Our investment banking business may also be affected by new rules and regulations, changes in the interpretation or enforcement of existing rules and regulations relating to the underwriting and sponsorship of securities offerings.

We generally receive underwriting commissions for securities offerings and advisory fees for M&A transactions upon the successful completion of the transactions. If a transaction is not completed as scheduled or at all for any reason, we may not receive underwriting commissions or financial advisory fees for services that we have provided in a timely manner or at all, which could adversely affect our operating results.

Our proprietary trading business is subject to market volatility and our investment decisions.

We trade equity and fixed-income securities as well as derivatives. Our equity and fixed-income securities are subject to market volatility and, therefore, the results of our securities trading activities are generally related to the condition of the PRC securities markets. We also engage in derivative instruments transactions, including stock options, treasury futures and stock index futures and etc. We generally use derivative instruments to hedge against the impact of price volatility on our investment portfolio or adjust the risk exposure of the investment portfolio. However, currently the types of financial investment products available in the PRC securities market remain limited. Although stock index futures provide investors with tools for arbitrage and managing risks related to their investments, such financial instruments for PRC investors remain inadequate, which may make it difficult for us to fully hedge against fluctuations in the price of our investment portfolio, and the derivatives that we use may not be as effective as we would expect. In addition, we are exposed to risks associated with derivatives contracts we enter into, which could result in losses to us. Since the derivative markets on the exchanges are unstable and the over the counter ("**OTC**") derivative markets are under-developed, we may lack experience in managing new products or trading derivative products.

The performance of our proprietary trading business relies on our investment judgments and decisions based on our assessment of current and future market conditions. We closely monitor the market value of our investment portfolio and actively refine the structure of our portfolio based on market conditions and internal risk management guidelines. However, our investment decisions are made based on our judgment, which involves management discretion and assumptions. If our decision-making process fails to effectively minimize losses while capturing gains, or our forecasts do not conform to actual changes in the market conditions, our proprietary trading business may not achieve the investment returns we anticipate or may even suffer material losses, all of which could materially and adversely affect our business, financial condition and operating results.

In addition, the values of certain classes of our assets, such as our available-for-sale financial assets, are marked to market. A decline in the value of our available-for-sale financial assets can result in the recognition of impairment losses if management determines that such decline in value is not temporary. This impairment recognition shall be based on evaluation of several factors. If we recognise impairment losses, our operating results will be adversely affected.

A significant decline in the size of our AUM or regulatory changes may materially and adversely affect our asset management business.

We charge asset management fees based on the size of each asset management plan under our management. Investment performance may affect investment sentiment of clients and therefore affect our AUM, which in turn affects our management fee income. In addition, the management fee income from actively managed products is higher than income from our non-actively managed products, therefore our management fee income is also affected by the structure of our managed assets. Limited investment options and hedging strategies, as well as market volatility, in the PRC could limit our ability to offer stable returns to our clients, cause us to lose clients and require us to make provisions for the decrease in the value of our investments. Volatility of the PRC capital market, adverse economic conditions or the failure to outperform our competitors or the market may reduce the value of our managed assets or affect the performance of our managed assets or funds, which could adversely affect the amount of asset management fees or performance rewards that we receive. Moreover, with the enforcement of the Interim Provisions on Operation and Management of Privately-raised Assets Management Business of Securities or Futures Institutions (《證券期貨經營機構私募資產管理業務運作管理暫行規定》) since 18 July 2016, the upper limit on the leverage ratio of the structured asset management products has been significantly reduced, and it imposes higher requirement on our own funds when conducting asset management business, which may have an adverse effect on our relevant business.

Moreover, we have high proportion of "channel-based business" in our asset management business. Relevant regulators may promulgate new regulations to restrict the "channel-based business" in the PRC. Therefore, there are still uncertainties on whether we can complete the transition to actively-managed business rapidly while maintaining our AUM. In addition, we may not be able to maintain or increase our AUM or our asset management fee income due to increased competition from insurance companies, trust companies, commercial banks and other competitors. We are still in the process of developing and growing our asset management business. If we fail to increase our AUM, we may not be able to take advantage of potential benefits, such as economies of scale and investment strategies with larger capital requirements. This lack of scale in AUM could adversely affect our competitiveness, operating results and financial condition.

We may suffer significant losses from our exposure to credit risks.

The credit risks we are exposed to in our business include credit risks incurred from our counterparties, securities issuers of our investment targets and clients of securities financing and futures business. We have net long trading positions in various fixed income securities as part of our investment, and face credit risks that the issuers of the relevant securities may default. There can be no assurance that there will be no default in the bonds we invest in the future. We also face credit risks as counterparty in derivative contracts. In addition, we conduct OTC trades as counterparty to our clients, to provide them with customised products or services, such as OTC options and equity return swaps. As there is no exchange or clearing agent for these contracts, we may be subject to the credit risk of the counterparties. Any significant non-payment or default by a client or counterparty could adversely affect our financial condition, operating results and cash flows. Although we regularly review our credit exposure to specific clients or counterparties and to specific industries that we have credit concerns for, default risks may arise from events or circumstances that are difficult to detect or foresee. We may also fail to obtain any relevant information with respect to the credit risks of our clients and counterparties.

Our securities financing business is subject to the risks that a client may fail to perform its payment obligations or that the value of collaterals held by us to secure the obligations might become inadequate. We may mandatorily liquidate our clients' collaterals if they are unable to fulfill their payment obligations as scheduled, or if their collateral ratios are lower than our minimum thresholds due to fluctuations in market prices of the collaterals while failing to replenish such collaterals. Such mandatory liquidation mechanism may subject us to significant losses or litigation risks. In addition, the ability to carry out mandatory liquidation of client positions is adversely affected by market volatility. If the market price of securities which we hold as collaterals decreases sharply for an extended period, and when we are unable to liquidate clients' positions in a timely manner due to the daily price fluctuation limitation on the A share market and relevant A share stock suspensions, we may incur significant losses. Moreover, similar to other securities firms, we also accept restricted stocks as collaterals for our collateralised stock repurchase business. If we fail to mandatorily liquidate collaterals comprising restricted stocks within the expected period, we may be subject to significant losses. In addition, the mandatory liquidation mechanism may trigger disputes between clients and us and subject us to litigation risks or significant legal expenses.

Significant interest rate fluctuations could affect our financial condition and operating results.

Our exposure to interest rate risk is primarily associated with our interest income, interest expenses and fixed income investments. We earn interest income from (i) securities brokerage and securities financing business, including margin financing and securities lending, collateralised stock repurchase and repurchase agreement transactions; (ii) bank balances, including cash held on behalf of brokerage clients as well as our own bank deposits; and (iii) other businesses. We also pay interests on accounts payable to brokerage clients, financial assets sold under repurchase agreements and various indebtedness, including borrowings, short-term commercial papers, structured notes, corporate bonds and subordinated bonds, etc. In addition, we hold net fixed income securities positions, whose market prices are directly affected by the prevailing interest rates. Significant interest rate fluctuations could reduce our interest income or returns on fixed income investments, or increase our interest expenses, all of which could materially and adversely affect our business, financial condition and operating results.

Restrictions on our credit financing capability and high level of indebtedness may adversely affect our business.

We rely on bank and other external borrowings and bond offerings to fund a significant portion of our working capital requirements. Our financial condition, liquidity and business operations will be adversely affected to the extent we are not able to pay back or repay our debt in a timely manner because of the unavailability of internal resources or inability to obtain alternative financing.

Even if we are able to honor our debt repayment obligations, the amount of debt we borrow could also adversely affect us in a number of ways, including:

- limiting our ability to obtain any necessary financing in the future for working capital, strategic investment, debt repayment requirements or other purposes;
- limiting our flexibility in business planning or reacting to changes in our business;
- placing us at a competitive disadvantage compared to our competitors who have lower levels of debt;
- affecting our credit ratings and increasing our financing cost;
- making us more vulnerable to a downturn in our business or the economy generally;
- subjecting us to the risk of being forced to refinance for our debts at higher interest rates; and

- requiring us to use a substantial portion of our cash to pay principal and interest on our debt, instead of contributing those funds to other purposes such as working capital and other capital requirements.

Our interest expenses may increase along with the increase of our borrowings.

We have incurred and expect to continue to incur a significant amount of interest expense relating to our borrowings, including corporate bonds, subordinated bonds, short-term financing instruments, financial assets sold under repurchase agreements and others. We also incur interest expenses from accounts payable to brokerage clients and placements from banks and other financial institutions in our operation activities. We may continue to incur substantial amount of debts, and our interest expenses may continue to increase. Any such increase could adversely affect our business, financial condition, operating results and prospects.

A significant decrease in our internal or external liquidity could adversely affect our business and reduce clients' confidence in us.

Our liquidity conditions may be adversely affected by the decrease in the cash generated from our operating activities, increased regulatory requirements on capital, substantial investment, market volatility, the loss of client confidence or other factors. Maintaining adequate liquidity is crucial to our business operations as we need large amounts of cash to continue expanding our margin financing and securities lending, collateralised stock repurchase, investment management and other business activities. We meet our liquidity needs primarily through cash generated from operating activities and debt financing. There can be no assurance that we may generate positive cash flows from operating activities in the future.

A reduction in our liquidity could reduce the confidence of our clients or counterparties in us, which may result in the loss of business and client accounts. In addition, we will need to satisfy various liquidity requirements in order to maintain or expand our scope of business, especially innovative products and services. Failure in the future to comply with the mandatory liquidity requirements, or any heightened requirements for specific businesses, may result in penalty measures imposed by the SAC, including self-regulatory measures and disciplinary action. In addition, the liquidity coverage ratio will be incorporated into the risk control indicator system for securities firms, and the failure of the liquidity coverage ratio to comply with the indicator requirement may subject us to the regulatory measures by the CSRC. Any of these could have a material and adverse effect on our business development and reputation.

Furthermore, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time when we seek to sell the assets to increase liquidity, as is likely to occur in a liquidity crunch or other market crisis. When cash generated from our operating activities is not sufficient to meet our liquidity or regulatory capital needs, we must seek external financing. During periods of disruption in the credit and capital markets, potential sources of external financing could be limited and our borrowing costs could increase. Such financing may not be available on acceptable terms or at all due to unfavorable capital market conditions.

Our IT systems may be subject to cyber-attacks or risks arising from any system failures or deficiencies.

Our operations rely heavily on our IT systems to record and accurately process a large number of transactions and matters across numerous and diverse markets and different business segments in a timely manner. Our system for processing securities transactions is highly automated. Our IT and related computer systems may be damaged or interrupted by human errors, unauthorised access such as cyber-attacks, natural hazards or disasters or similarly disruptive events. A prolonged interruption or failure of our information processing or communications systems would limit our ability to process transactions.

This would impair our ability to serve our clients and execute transactions on behalf of clients and for our own accounts, which could materially and adversely affect our competitiveness, financial condition and operating results.

The proper functioning of our core IT systems, online trading platform, data processing system, mobile APPs, risk management and legal and compliance system and other data processing systems, together with the communication networks between our headquarters and branches and the storage of our clients' confidential and personal information and other information, are critical to our business and our ability to compete effectively. We have established multi-tiered backup systems to carry on principal functions or restore our systems in the event of a catastrophe or failure of our systems, including those caused by human errors. However, there can be no assurance that our operations will not be materially disrupted if any of our systems fails. In addition, if our trading system is unable to process all trading orders when the securities market experiences high volatility, we may be subject to client complaints, litigations or damage on our reputation.

Our resources and technical sophistication may not be adequate to prevent all types of cyber-attacks or other disruptions to or failures of our IT and related computer systems. A cyber-attack or IT and related computer systems failure could adversely affect our daily operations and lead to the loss of sensitive information, including our own proprietary business information and sensitive information of our customers. Our business continuity procedures, disaster recovery systems and security measures to protect against network or IT and computer systems failure or interruption may not be effective, and we may not anticipate, prevent or divert the material and adverse effect on our business, financial condition and operating results in the event of such failure or interruption.

The PRC securities industry is characterised by rapidly changing technology. Online trading platforms and mobile APPs are becoming increasingly popular among our clients due to their convenience and user-friendliness. We rely heavily on technology, and plan to expand and upgrade our online trading platform and mobile APPs, to provide a wide range of brokerage and securities financing services. However, our technology operations are vulnerable to disruptions from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events, and we may not be able to adapt to the evolving technology in the PRC securities industry. Disruptions to, or instability of, our technology or external technology, or failure to timely upgrade our online or mobile platforms could harm our business, reputation and prospects.

Our business may be susceptible to the operational failure of third parties.

We face the risk of operational failure, limited capacity or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any operational failure or termination of the particular financial intermediaries that we use could adversely affect our ability to execute transactions, serve our clients and manage our exposure to risks. In addition, as our inter-connectivity with our clients grows, we will increasingly face the risks of operational failure with respect to our clients' systems such as personal computers, mobile devices and tablets, as well as connectivity to and compatibility with our clients' systems. Any operational failure may lead to loss of our clients and give rise to complaints or litigations against us and in turn have a material and adverse effect on our goodwill, financial condition, operating results and reputation.

We distribute third-party financial products which may involve high risks, and if we are unable to identify, fully understand or disclose these risks, our reputation, relationships with clients, business and prospects may be damaged.

In addition to our own asset management products, we also distribute financial products developed by third-party financial institutions (such as fund management companies, trust companies and commercial banks in the PRC). As a third-party distributor, we are not subject to any investment losses or default liabilities incurred from third-party financial products. However, we may receive complaints from or be sued by clients which may in turn have an adverse effect on our reputation and business. In addition, the structure of certain types of these third-party financial products (such as trust schemes and structured OTC products) is complicated and involves various risks, including credit, interest rate, liquidity and other risks. Our risk management policies and procedures may fail to identify the risks of such financial products in a sufficient and effective manner, and our sales personnel may not disclose such risks to our wealth management clients adequately. Consequently, clients may invest in financial products that exceed their investment risk tolerance and investment preferences and suffer substantial losses which subject us to the complaints and prosecution of clients. Our reputation, relationships with clients, business and prospects may therefore be materially and adversely affected.

We are exposed to risks relating to our investments in the wealth management products, trust schemes and asset management schemes provided by various financial institutions.

Our proprietary investment portfolio includes wealth management products, trust schemes and asset management schemes provided by commercial banks, trust companies, funds companies and securities firms (including ourselves) in China.

The income generated from our investments in various wealth management products, trust schemes and asset management schemes is generally fixed, which may subject us to credit risk. These wealth management products, trust schemes and asset management schemes generally adopt credit enhancement measures, such as guarantees and structural enhancement. However, we are not able to monitor and do not otherwise have control over the counterparties' investment portfolio composition and investment strategies. In addition, there is no assurance that we can correctly anticipate the development of business operations or financial conditions of the commercial banks, securities firms, trust companies, fund companies or the ultimate borrowers, which could be negatively affected by various factors beyond our control, under which situation, the issuers' capacity to repay the principal, fulfill their commitment to deliver the expected investment return or the guarantors' capacity to undertake the guarantee obligations (if applicable), could be materially and adversely affected and we may not be able to recover the principal of and interest on these investments. Also, we do not have direct recourse to the ultimate borrowers in the underlying transactions, and we can only exercise our rights under the related contracts to require the product issuers or scheme managers to perform their obligations, and demand compensation for our losses (if applicable) from the product issuers or scheme managers and the financial institutions that provide relevant guarantee.

Furthermore, because the guarantees and collaterals are not provided to us but to product issuers or scheme managers, we may not be able to directly claim any security interests on these guarantees or collaterals.

While the regulatory authorities currently generally do not prohibit securities firms to invest in wealth management products, trust schemes and asset management schemes provided by various financial institutions, there can be no assurance that there will not be material and adverse changes to the applicable regulations in the future. Any material and adverse regulatory changes could cause the value of our investment portfolio to decline, and may in turn materially and adversely affect our business, financial condition and results of operations.

We face additional risks as we expand our product and service offerings.

We are committed to providing new products and services in order to strengthen our leading market position in the PRC securities industry. We continuously expanded our business to include trading of physical precious metals, foreign exchange, OTC options, online collateralised stock repurchase and other businesses in recent years, and further convert our offline business to online business. We will continue to expand our product and service offerings as permitted by relevant regulatory authorities, transact with new clients not in our traditional client base and enter into new markets. Meanwhile, we expect to further expand our overseas business. These activities expose us to new and increasingly challenging risks, including, but not limited to:

- we may have insufficient experience or expertise in offering new products and services and dealing with inexperienced counterparties and clients may harm our reputation;

- we may be subject to stricter regulatory scrutiny, or increased tolerance of credit risks, market risks, compliance risks and operational risks;

- we may be unable to provide clients with adequate levels of service for our new products and services;

- our new products and services may not be accepted by our clients or meet our profitability expectations; and

- our new products and services may be quickly copied by our competitors so that their attractiveness to our clients may be diluted.

If we are unable to achieve the expected results with respect to our offering of new products and services, our business, financial condition, operating results and prospects could be materially and adversely affected.

We are subject to risks related to overseas expansion.

We expect to expand our overseas operations based on business strategy, but the development of global business may face additional risks, including, among others:

- we may have difficulties in managing overseas operations, including the compliance with various regulatory and legal provisions in different jurisdictions;

- risks of fluctuations in the overseas financial markets;

- challenges in providing products, services and supports in the overseas financial markets;

- challenges in managing distribution channels and overseas distribution network effectively;

- the accounting treatment differences between various jurisdictions;

- potential adverse effects of taxation;

- foreign exchange losses;

- inability to effectively enforce contractual or legal rights; and

- local political and economic instability or civil unrest.

If we are unable to effectively avoid or mitigate these risks, we may have difficulties to expand our overseas business, which could have a material and adverse effect on our business, financial condition, operating results and prospects.

Our operations may be adversely affected if we fail to obtain or maintain necessary approvals for conducting a particular business or offering a particular product.

We operate in a highly regulated financial industry where many aspects of our business depend upon obtaining and maintaining the necessary approvals, licenses, permits or qualifications from relevant PRC and Hong Kong regulators, such as the CSRC and the SFC, and self-regulatory organisations, such as the SAC. We are required to comply with the relevant regulatory requirements when applying for approvals, licenses or permits for conducting new businesses or offering new products. As the legal system and financial service industry in the PRC continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may make them more difficult to comply with, or adversely affect the type and scope of businesses we are permitted to engage in. In addition, further regulatory approvals, licenses, permits or qualifications may be required for new products and services in the future, and some of our current approvals, licenses, permits or qualifications are subject to periodic renewal. If any of our business activities fails to meet the regulatory requirements, or if we fail to obtain or renew the required permits, licenses, approvals or qualifications, our business, financial condition and operating results may be materially and adversely affected.

Our risk management policies, procedures and internal controls, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We may be mainly exposed to the following risks: market risk, credit risk and liquidity risk. Policies are expected to be principally positive fiscal policies, prudent monetary policies and policies on stabilising economic growth. Political turmoil in some regions in the world and trade friction will lead to great downward pressure on macro-economy, which will bring certain pressure on our operation. Currently, we follow our comprehensive internal risk management framework and procedures to manage our risks, primarily including market risk, credit risk, liquidity risk, compliance risk and operational risk. For example, we established white list and update this list to promote the timeliness and security of our products, established integrated business management and risk control evaluation system, and also implemented risk warnings such as minoring and tracking the key risk indicators. Our risk management policies, procedures and internal controls may still not be adequate or effective in mitigating our risks or protecting us against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behavior and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, the capital markets in the PRC are rapidly developing, the information and experience that we rely on for our risk management methods may become quickly outdated as capital markets and regulatory environment in the PRC continue to evolve. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to identify or report our deficiencies or non-compliance. Any of these may have a material and adverse effect on our business, financial condition and operating results.

Our operations depend on senior management and key staff and our business may be adversely affected if we are unable to retain them or find their replacements.

The success of our business primarily depends on the stability of our senior management and our ability to attract and retain key personnel who possess in-depth knowledge and understanding of the PRC financial markets. If there are significant personnel changes in our senior management, and we are unable to find replacement, we may not be able to execute our existing business strategy effectively or may have to adjust our existing business, which may materially and adversely affect our business prospects. The aforementioned key personnel include members of our mid-level management, experienced investment and trading managers, risk management officers, research analysts, IT specialists, licensed sponsor representatives and other personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the competition for quality professionals is rather intense in the PRC capital market and we face increasing competition in recruiting and retaining these individuals as other securities firms and financial institutions are competing for the same pool of talent. Intense competition may require us to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect our financial condition and operating results. In addition, we may be unable to attract or retain these personnel which may in turn affect the fulfillment of our business objectives and also materially affect our business and prospects.

If any of our senior management or other key staff joins or establishes a company in competition with our business, we may lose some of our clients, which may have a material and adverse effect on our business.

We may not be able to timely detect and prevent fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties on a timely basis.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, clients or other third parties, including, among others, unauthorised trading, misuse or disclosure of confidential information, providing false information, forging corporate seals, illegal fundraising, improper transfer of interests and insider trading. These incidents of misconduct could subject us to financial losses and sanctions imposed by governmental authorities, as well as adversely affect our reputation. In addition, alleged or actual employee misconduct could result in investigations or prosecutions of the employees engaged in the subject activities or litigation or regulatory sanctions against us, which could cause reputational harm, litigation costs and management distraction to us regardless of whether we are held liable.

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

We may be subject to litigation, legal proceedings, administrative or regulatory penalties, disciplinary actions or regulatory investigations and may not always be successful in defending ourselves against such claims, investigations or proceedings.

The securities industry faces substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct. We may be subject to lawsuits and arbitration applications in the ordinary course of our business. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these legal actions, the costs of such defense may be significant to us.

We operate in a highly regulated industry. Any failure to comply with the applicable regulatory requirements could result in fines, penalties or other disciplinary actions and we may also be subject to inquiries, investigations, and legal proceedings by regulatory and other governmental agencies. In market downturns of the PRC capital market, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase. We have in the past been found to be non-compliant with regulatory requirements and may, from time to time, become the subject of investigations by regulatory authorities overseeing our operation. Material incidents of non-compliance, a significantly adverse judgment, arbitration award or regulatory action against us or a disruption in our business arising from adverse adjudications in proceedings against our directors, senior management or key staff would have a material and adverse effect on our liquidity, business, financial condition, operating results and prospects.

We may be subject to liability and regulatory actions if we are unable to protect personal data and confidential information of our clients.

We are subject to various laws, regulations and rules governing the protection of personal data and confidential information of our clients. We routinely send and receive personal data and confidential information of our clients through written communication, Internet and other electronic means. We may not be able to ensure that our vendors, service providers, transaction counterparties or other third parties have appropriate measures in place to protect the confidentiality of such information. In addition, there is no assurance that our employees who have access to personal data and confidential information of our clients will not improperly use such data or information. If we fail to protect our clients' personal data and confidential information, the competent authorities may impose sanctions against us and we may have to provide economic compensation for losses arising from such failure. In addition, incidents of mishandling personal information or failure to protect the confidential information of our clients could bring reputational harm to us, which may materially and adversely affect our reputation, business and prospects.

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

We are required to comply with applicable PRC and overseas anti-money laundering, anti-terrorism laws and other regulations. The PRC Anti-money Laundering Law and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require us to, among other things, establish or designate an independent anti-money laundering department, establish a client identification system in accordance with relevant rules, record the details of client activities and report suspicious transactions to relevant authorities.

While we have adopted relevant policies and procedures aimed at detecting and preventing the use of our business platforms to facilitate money laundering activities and terrorist acts, such policies and procedures may not completely eliminate instances in which we may be utilised by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business reputation, financial condition and operating results.

Our substantial amounts of deferred tax assets and level 2 financial assets are subject to accounting uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. We believe that the substantial amounts of our deferred tax assets and level 2 financial assets are subject to accounting uncertainties and therefore warrant particular attention.

Our deferred tax assets decreased from RMB1,967.8 million as at 31 December 2021 to RMB428.3 million as at 31 December 2023. Based on our accounting policies, deferred tax assets are recognised in case of timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realisation of a deferred tax asset mainly depends on our management's judgment as to whether sufficient future taxable profits will be available in the future. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

For financial reporting purposes, we categorize fair value measurements of financial assets and liabilities into level 1, level 2 or level 3, based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. As at 31 December 2023, we had RMB228,472.5 million of level 2 financial assets. Compared to level 1 financial assets, we use valuation technique to estimate the fair value of level 2 financial assets and the fair value measurements for these assets using other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. When estimating fair value using valuation technique, we consider observable inputs and market data, such as yield curve of interest rate products, foreign currency exchange rate, and implied volatility, among other things. Changes in these factors will affect the estimated fair value of our level 2 financial assets and therefore these assets face uncertainty in accounting estimation.

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

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business naturally exist but are in competition or conflict. We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, it is complicated and difficult to appropriately identify and address potential conflicts of interest. Conflicts of interest may exist between (i) our different departments; (ii) us and our clients; (iii) our clients; (iv) us and our employees; or (v) our clients and our employees. Our failure to address conflicts of interest could harm our reputation and impair clients' confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could materially and adversely affect our business, financial condition and operating results.

We are subject to risks related to the use of "CITIC" brand.

Since our establishment, we have been using the "CITIC" brand, which provide substantial support to us in enhancing our brand awareness and carrying out our business.

The "CITIC" brand name is also used by the CITIC Group and its affiliated companies. If any of them commits any action that damages the "CITIC" brand name, or any negative publicity is associated with any of these entities, our reputation, business and growth prospects could be harmed, which could adversely affect our operating results and financial condition.

Currently, we are licensed by the CITIC Group to use its certain registered trademarks in the respective registration areas expiring in 2026. There can be no assurance that the CITIC Group will continue to grant license to us after the expiry of the current license. If we cannot renew the license, we may have to use new trademarks which lack public awareness. As such, change of trademarks may have an adverse effect on maintaining existing customer relationship or developing new customer resources.

Our historical growth may not be indicative of our future performance.

Our historical growth rate and results may not be indicative of our future growth or performance. There is inherent risk in using our historical financial information to project or estimate our financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue, gross profit margin and return on net assets for various reasons, including, but not limited to, deterioration in the market conditions of the financial services industry in the PRC, macro-economic measures taken by the PRC Government to manage economic growth and intensified competition among PRC securities firms.

In addition, our financial and operating results may not meet the expectations of public market analysts or investors. Our revenue, expenses and operating results may vary from period to period due to a variety of factors beyond our control. As a result of these and other factors, there can be no assurance that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

Our historical financial information may not be directly comparable and we may face risks related to changes in accounting standards.

The historical financial information of the Group may be from time to time adjusted or restated to address subsequent changes in the accounting standards and policies adopted by the Group and/or applicable laws and regulations with retrospective impact on the Group's financial reporting. Such adjustment or restatement may cause discrepancies among the Group's historical financial information or discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and/or that contained in its future financial statements. For example, the Group has adjusted the presentation of its financial statements and made corresponding retrospective adjustments to certain line items as at and for the year ended 31 December 2022 shown as corresponding figures in the 2023 Audited Consolidated Financial Statements of the Company, due to application of certain new reporting standards adopted in 2023. For details of the changes for accounting standards in 2023, see "*Presentation of Financial Information*" and Note 2 of the 2023 Audited Consolidated Financial Statements of the Company which are included elsewhere in this Offering Circular. As such, the 2022 Audited Consolidated Financial Statements of the Company as disclosed in this Offering Circular are presented before making such restatements and may not be directly comparable with the 2023 Audited Consolidated Financial Statements of the Company. Meanwhile, the adjusted and restated financial information of the Group as at and for the year ended 31 December 2022 shown as corresponding figures in the 2023 Audited Consolidated Financial Statements of the Company has not been audited or reviewed. As such, the financial information set out in the 2022 Restated Consolidated Financial Information of the Company included in this Offering Circular should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited information. Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of the Company and the 2022 Audited Consolidated Financial Statements of the Company to evaluate the Group's financial condition and results of operations. There could be no assurance that the Group or its subsidiaries will not adopt other new accounting standards which may affect the presentation of the Group's financial statements.

We may not be able to manage our risks successfully through the use of derivatives, and derivative transactions could expose us to unexpected risks and potential losses.

We engage in derivative transactions as part of our investment businesses, and use derivative instruments such as stock index futures to reduce the impact of price volatility in our investment portfolio and hedge certain market risks. We enter into derivative transactions based on the business judgement of our management. We may not be able to effectively identify risks or successfully use derivative instruments to reduce our risk exposure. The derivative contracts that we enter into expose us to unexpected market, credit and operational risks that could cause unexpected losses. When a transaction remains unconfirmed or during any delay in settlement, we are subject to heightened credit and operational risks and, in the event of default, we may find it more difficult to enforce the relevant contracts. In addition, the secondary market for derivatives is volatile, and we may be inexperienced in dealing with new products or making appropriate judgements in trading derivative products.

Unsatisfactory investment performance of our asset management schemes may materially and adversely affect our asset management business.

We receive asset management fees based on the size of each asset management scheme under our management. In addition, we may earn performance fees from our asset management schemes. Investment performance affects the size of assets under our management and is one of the most important factors in maintaining our existing clients and attracting new clients and competing for new asset management businesses. Market volatility and limitations in investment options and hedging options in the PRC could limit our ability to provide stable returns for the portfolios under management and cause us to lose clients. Adverse market conditions or economic conditions, failure to out-perform competitors or the market may reduce the size of the assets under our management or affect the performance of the funds we manage. Unsatisfactory investment performance could adversely affect our revenue and growth because:

- existing clients might withdraw funds from our asset management business, which would lower our income from asset management business;
- clients may request that we lower our fees for asset management services, particularly in an intensely competitive industry; and
- our performance fees, which are based on the investment performance of our asset management business, may decline.

In addition, with the release of *Guiding Opinions on Regulating Asset Management Business of Financial Institutions* (《關於規範金融機構資產管理業務的指導意見》) in April 2018, financial institutions in China are required to deleverage their business and reduce channel-based asset management services. Under these tightening requirements, our asset management business is under more stringent regulatory scrutiny, which may result in additional downside pressure for us to further expand our AUM.

Our asset management fees or the market share of our asset management business may decrease due to increased competition from insurance companies, fund companies, trust companies and other competitors. This could adversely affect our income from asset management business, and have a material and adverse effect on our business, operating results and business prospects.

We have had and may continue to have net cash outflow from operating activities.

In 2021 and 2023, we recorded RMB6,654.8 million and RMB10,126.9 million net cash outflow from operating activities, respectively. We recorded RMB24,279.4 million (before and after restatements) net cash inflow from operating activities in 2022. We cannot assure you that we will not have net cash outflow from operating activities in the future. If we incur significant net cash outflow from operating activities, our working capital may be subject to constraints, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We face additional risks as we expand our product and service offerings.

We are committed to providing new products and services in order to strengthen and enhance our market position in the securities industry. We will continue to expand our product and service offerings as permitted by relevant regulatory authorities, transact with new clients not in our traditional client base and tap into new markets. Meanwhile, it is expected that we will further develop our overseas business and these activities expose us to new and potentially increasingly challenging risks, including, but not limited to:

- our clients or potential clients may not be receptive to our new product and service offerings;
- we may have insufficient experience or expertise in offering new products and services and dealing with new counterparties and clients;
- we may be subject to stricter regulatory scrutiny, or decreased tolerance of credit risks, market risks, compliance risks and operational risks;
- we may be subject to reputational concerns arising from dealing with less sophisticated counterparties and customers;
- we may not be able to successfully enhance our risk management capabilities and IT systems to identify and mitigate all the risks associated with the new products and services, new customers and new markets;
- we may be unable to provide clients with adequate levels of service for our new products and services;
- we may be unable to hire and train additional qualified personnel to support the offering of a broader range of products and services;
- we may be unable to obtain sufficient financing from internal and external sources to support our business expansion;

- we may have difficulties in managing overseas operations, including the compliance with various regulatory and legal provisions in different jurisdictions;
- challenges in providing products, services and supports in overseas markets;
- the accounting treatment differences between various jurisdictions;
- potential adverse effects of taxation;
- exchange losses; and
- local political and economic instability or civil strife.

If we are unable to achieve the intended results with respect to our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may pursue acquisitions that could present unforeseen integration difficulties or costs and may not enhance our business as we expect.

In addition to organic growth, we may also seek opportunities to expand through acquisition of products or services complementing its existing business operations. Acquisitions involve a number of risks and present financial, managerial and operational challenges, including potential disruption of our ongoing business and distraction of management, difficulties with integrating IT, financial and human resources systems, hiring additional management and other critical personnel and increasing the scope, geographic diversity and complexity of our operations. We may not be able to realise any anticipated benefits or achieve the synergies we expect from these acquisitions. Our clients may react unfavourably to our acquisition strategy, and we may incur additional liabilities due to acquisitions. We may also be unable to enforce contractual and legal rights effectively for the limited intellectual property right protection by the laws, or any changes in the laws, regulations and policies of local governments that could adversely affect our business, financial condition, results of operations and prospects.

The process of integrating the business may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks, including:

- unforeseen legal, regulatory, contractual and other issues;
- difficulty in standardising information and other systems;
- difficulty in realising operating synergies;
- diversion of management's attention from our day-to-day business; and
- failing to maintain the quality of services that we have historically provided.

We are subject to risks relating to natural disasters, pandemics, epidemics, acts of war or terrorism or other factors beyond its control.

Natural disasters, pandemics, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. Some regions in China may be under the threat of flood, earthquake, sandstorm, snowstorm, fire or drought, power shortages or failures, potential wars or terrorist attacks or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("**SARS**"), avian influenza, H5N1 influenza, H1N1 influenza or H7N9 influenza, or COVID-19 pandemic.

Severe communicable disease outbreaks can result in a widespread health crisis that can materially and adversely affect economic systems and financial markets. For example, the COVID-19 pandemic affected China and many countries worldwide, with increasing initial infection and fatality rates. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Several cities in China where we operate were placed under lockdown with restrictions on travel and movement of people, as well as prolonged closures of workplaces in an effort to curb the spread of COVID-19. Additionally, various variants of COVID-19 spread globally, causing an increase in cases in many places. Although the World Health Organization has declared the end to COVID-19 as a global health emergency in May 2023, there are uncertainties as to how COVID-19 and related policies will evolve and there can be no assurance that other similar outbreaks or epidemics will not occur in China or other regions of the world. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

Our business operations are also subject to risks arising from natural disasters, such as typhoons, floods and earthquakes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets.

Any of these factors above and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

Certain facts and statistics are derived from publications that have not been independently verified by us, the Arrangers, the Dealers or their respective advisors.

Facts and statistics in this Offering Circular relating to the PRC economy and the industries in which we operate are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Arrangers, the Dealers or their respective advisors and therefore none of us, the Arrangers, the Dealers and their respective advisors make any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, investors should not place undue reliance upon the facts and statistics contained herein, which may be inaccurate or may not be comparable to facts and statistics produced for other economies.

RISKS RELATING TO THE BUSINESS OF CSIF HOLDING

The main businesses of China Securities International are highly regulated in Hong Kong.

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

China Securities International faces increasing competition in the financial services industry in Hong Kong.

The financial services industry in Hong Kong houses a large number of participants and is highly competitive. China Securities International faces increasing competition from Chinese securities institutions with similar background, multinational financial institutions including banks and investment banks with global networks and local securities institutions in the financial services industry in Hong Kong. There can be no assurance that China Securities International can compete effectively against its current and future competitors. Moreover, China Securities International's business objectives may become impractical and/or impossible due to the competitive forces of the market. Under those circumstances, China Securities International's core business and financial performance would be adversely affected.

China Securities International incurred a net loss for the year ended 31 December 2022 and may experience net losses in the future.

China Securities International incurred a net loss of HK$117.0 million (before restatements) for the year ended 31 December 2022 and HK$117.1 million (after restatements) for the year ended 31 December 2022, which is primarily attributable to market fluctuations and the business development of China Securities International. The proprietary investment business was particularly affected by market fluctuations, as well as a decline in overall trading volumes in the stock market. China Securities International may not be able to generate sufficient revenues to achieve profitable operations in the future. Notwithstanding that China Securities International recorded a net profit of HK$112.1 million and HK$215.8 million for the years ended 31 December 2021 and 2023, respectively, there is no guarantee that China Securities International may be able to be successful in achieving profitability in future periods. Any failure to achieve positive earnings may, among other things, impair China Securities International's ability to complete future financings and increase the cost of obtaining financing.

China Securities International has recorded net operating cash outflows for the year ended 31 December 2021.

For the years ended 31 December 2021 and 2023, China Securities International recorded net cash used in operating activities of approximately HK$402.6 million and HK$762.0 million, respectively. The net operating cash outflows experienced by China Securities International were largely due to the nature of its main business. As China Securities International is a financing platform and may continue to expand its portfolio size, there can be no assurance that China Securities International will continue to generate sufficient cash inflow from its operating activities in the future. In addition, if China Securities International experiences a protracted period of net operating cash outflows, China Securities International's financial condition, cash flow position and business prospects may be materially and adversely affected.

The historical financial information of China Securities International may not be directly comparable and China Securities International may face risks related to changes in accounting standards.

The historical financial information of CSIF Holding Group may be from time to time adjusted or restated to address subsequent changes in the accounting standards and policies adopted by CSIF Holding Group and/or applicable laws and regulations with retrospective impact on the financial reporting of CSIF Holding Group. Such adjustment or restatement may cause discrepancies among the historical financial information of CSIF Holding Group or discrepancies between the financial information with respect to a particular period or date contained in the historical financial statements of CSIF Holding Group and/or that contained in its future financial statements. For example, CSIF Holding Group has adjusted the presentation of its financial statements and made corresponding retrospective adjustments to certain line items as at and for the year ended 31 December 2022 shown as corresponding figures in the 2023 Audited Consolidated Financial Statements of CSIF Holding, due to application of certain new reporting standards adopted in 2023. For details of the changes for accounting standards in 2023, see "*Changes in accounting policies*" and Note 2(c) of the 2023 Audited Consolidated Financial Statements of CSIF Holding which are included elsewhere in this Offering Circular. As such, the 2022 Audited Consolidated Financial Statements of CSIF Holding as disclosed in this Offering Circular are presented before making such restatements and may not be directly comparable with the 2023 Audited Consolidated Financial Statements of CSIF Holding. Meanwhile, the adjusted and restated financial information of CSIF Holding Group as at and for the year ended 31 December 2022 shown as corresponding figures in the 2023 Audited Consolidated Financial Statements of CSIF Holding has not been audited or reviewed. As such, the financial information set out in the 2022 Restated Consolidated Financial Information of CSIF Holding included in this Offering Circular should not be referred to or relied upon by potential investors to provide the same quality of information associated with any audited information. Potential investors must exercise caution when referring to the 2022 Restated Consolidated Financial Information of CSIF Holding and the 2022 Audited Consolidated Financial Statements of CSIF Holding to evaluate CSIF Holding Group's financial condition and results of operations. There could be no assurance that CSIF Holding Group or its subsidiaries will not adopt other new accounting standards which may affect the presentation of the financial statements of CSIF Holding Group.

China Securities International businesses and prospects may be materially and adversely affected if its efforts to maintain its risk management and internal control systems prove to be ineffective or inadequate.

China Securities International has established risk management and internal control systems. China Securities International's businesses and prospects may be materially and adversely affected if its efforts to maintain these systems are proved to be ineffective or inadequate. However, China Securities International's risk management and internal control systems may require constant monitoring, maintenance and continual improvements by its senior management and staff. Deficiencies in China Securities International's risk management and internal control systems may adversely affect its ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact on its ability to identify any reporting errors and non-compliance with rules and regulations.

There is no assurance that China Securities International's employees will not in the performance of their duties commit offences under the SFO due to the nature of China Securities International's business. These offences may include but not be limited to market manipulation, false trading and price rigging. Accordingly, commission of offences by China Securities International's employees resulting from such activities or any allegation of such activities could have an adverse effect on China Securities International's reputation and goodwill.

As such, there is no assurance that its risk management and internal control systems are sufficient or effective notwithstanding the above-mentioned efforts. China Securities International's internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault. Therefore, any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against China Securities International and/or its employees, disruption to its risk management system, and material and adverse effects on the Issuer's financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC AND HONG KONG

The PRC's economic, government policies and social conditions, as well as the global economy could affect our business and prospects.

A substantial majority of our assets are located in China, and a substantial majority of our revenue is derived from our businesses in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, social and regulatory environment in China. After rapid economic growth, the Chinese government now put more emphasis on optimising economical structure and improving economic growth. To reach this goal, the PRC government may exercises significant regulation over the economic growth of the PRC through allocating resources, supervising payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies in certain circumstances. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may negatively affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the securities markets in China or changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

China has been one of the world's fastest growing economies as measured by GDP growth in the past 30 years and has become the world's second largest economy by gross GDP since 2010. However, there is no assurance that China's economy can sustain historical growth rates in the future. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact PRC's economic growth. There have been concerns on the relationship between the PRC and other countries, including the United States and the surrounding Asian countries, which may potentially have adverse economic effects. There have also been concerns on the trade war initiated by the United States against the PRC and other countries. If the economic growth of China is adversely affected by all such factors, our business, financial condition, results of operations and prospects will be materially and adversely affected.

We are subject to the risks from an economic downturn in Hong Kong.

Besides our businesses in China, we also conduct business in Hong Kong. Our performance and the quality and growth of our assets are dependent on the overall economy in Hong Kong. As a result, any downturn in the Hong Kong economy may adversely affect our business, financial condition and results of operations. Since the second half of 2008, the global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions which have originated from liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. In particular, the sovereign debt crisis in some European countries (including Greece, Ireland, Italy, Spain, Portugal and Cyprus) since early 2010 and the downgrading of the credit rating of the United States' sovereign debt in August 2011 have contributed to an economic slowdown in most economies around the world, substantial volatility in financial markets globally and the tightening of liquidity in global financial markets.

Although the global economy has shown varying degrees of recovery in 2015, there is still a great deal of uncertainty in relation to continued economic recovery globally and in Hong Kong and the PRC. In addition, civil unrest and an uncertain political environment in Hong Kong from early 2019 may impact Hong Kong's economy and result in an economic slowdown or downturn. Any significant or sudden economic slowdown, recession or other adverse changes or developments in the local social and economic environment or political arrangements in Hong Kong may adversely affect our business, financial condition and results of operations.

The PRC laws and regulations are subject to promulgation and interpretations that could limit the legal protection available to you.

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

In particular, the PRC financial service industry is highly regulated and many of these laws and regulations are relatively new and evolving, are subject to further interpretations. Many aspects of our business depend upon the receipt of the relevant government authorities' approvals and permits. As the PRC legal system and financial service industry develop, changes in such laws and regulations, or in their interpretation, could materially adversely affect our business, financial condition and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgements against us and our directors, supervisors and management.

We are a company incorporated under the laws of the PRC and a substantial majority of our assets and subsidiaries are located in China. In addition, most of our directors, supervisors and executive officers reside within China and the assets of our directors, supervisors and management are likely to be located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon our directors, supervisors and management including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgements with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court in the United States, the United Kingdom, Japan or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the Supreme People's Court entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). The Arrangement was replaced by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**") on 29 January 2024, which was entered into by Hong Kong and the Supreme People's Court on 18 January 2019. With some exceptions, the New Arrangement applies to the reciprocal recognition and enforcement of effective judgments in civil and commercial cases between courts of the Mainland and Hong Kong, and also applies to the reciprocal recognition and enforcement of effective judgments on civil compensation in criminal cases.

Government supervision of currency conversion may adversely affect the value of your investments and limit our foreign exchange transactions.

Substantially all of our revenue and expenses are denominated in Renminbi. A portion of our cash may be required to be converted into U.S. dollars in order to meet our foreign currency needs, including cash payments on the Notes. The PRC's foreign exchange regulations allow payments of current account items, including profit distributions, interest payments and expenditures from trade, to be made in foreign currencies without prior approval, subject to certain procedural requirements.

However, access to foreign currencies for current account transactions may be subject to government supervision. If this were to occur, we might not be able to pay dividends to the holders of the Notes in foreign currencies. On the other hand, capital account transactions must be approved by or registered with the SAFE or its local branch. If the foreign exchange supervision system prevents us from obtaining sufficient foreign currency to satisfy its currency demands, our capital expenditure plans, business operations and consequently its results of operations and financial condition could be materially and adversely affected.

Future fluctuations in the exchange rate of the Renminbi could have a material adverse effect on our financial condition and results of operations.

While we generate most of our revenue in China, we also offer securities products and services in Hong Kong to overseas clients. A portion of our revenue, expenses and bank borrowings is denominated in Hong Kong dollars and U.S. dollars, although our functional currency is the Renminbi.

As a result, fluctuations in exchange rates, particularly between the Renminbi, Hong Kong dollar and U.S. dollar could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 30 September 2011, the value of the Renminbi appreciated by approximately 30.2 per cent. against the U.S. dollar. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012 the band was expanded to 1.0 per cent. On 17 March 2014, the PBOC announced that effective on the same day, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be further increased from 1.0 per cent. to 2.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC.

The PBOC surprised markets in August 2015 by devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar for three times. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi has been added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in the first half of 2018. In August 2019, the PBOC on 5 August 2019 set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. Since June 2020, Renminbi has been experiencing another round of appreciation against U.S. dollar. However, as at 31 August 2023, the Renminbi was around 4.2 per cent. weaker against the U.S. dollar than it was a year ago. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. We cannot provide any assurance that the Renminbi will not experience significant appreciation against the U.S. dollar in the future. Any significant decrease in the value of the Renminbi against foreign currencies could increase the value of our foreign currency-denominated expenses and liabilities.

RISKS RELATING TO THE NOTES AND THE GUARANTEES

The Notes and the Guarantees are unsecured obligations.

The Notes and the Guarantees are unsecured obligations of the Issuer, CSIF Holding and the Company, respectively. The repayment of the Notes and payment under the Guarantees may be adversely affected if:

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

If any of these events were to occur, the Issuer's, CSIF Holding's or the Company's assets may not be sufficient to pay amounts due on the Notes.

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

The Notes and the Guarantees will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's, and the Guarantors existing and future subsidiaries, other than the Issuer, whether or not secured. The Notes will not be guaranteed by any of the Issuer's or the Guarantors' subsidiaries, and the Issuer and the Guarantors may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantors. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer or the Guarantors is subject to various restrictions under applicable laws.

Each of the Issuer's, CSIF Holding's and the Company's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Notes or the Guarantees or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's, CSIF Holding's and the Company's right to receive assets of any of the Issuer's, CSIF Holding's and the Company's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer, CSIF Holding or the Company are creditors of that subsidiary). Consequently, the Notes and the Guarantees will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's, CSIF Holding's and the Company's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer, CSIF Holding or the Company may in the future acquire or establish.

The Notes and the Guarantees are the Issuer's and the Guarantors' unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantors' other present and future unsubordinated and unsecured indebtedness; and (ii) be effectively subordinated to all of the Issuer's and the relevant Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations. Accordingly, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's, CSIF Holding's or the Company's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Notes, these assets will be available to pay obligations on the Notes only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Noteholders rateably with all of the relevant

Guarantor's other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

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

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

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

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

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

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

Any failure to complete the relevant registrations or filings with the NDRC relating to the issue of the Notes may have adverse consequences for the Company, the Issuer and/or the investors of the Notes.

According to Order 56 effective from 10 February 2023, PRC enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year or medium to long term loans issued or incurred outside the PRC with the NDRC and notify the particulars of the relevant issues or drawings within 10 working days after the date of issuance or drawing. Thus, the Company shall file the requisite information relating to the issue of the Notes with the NDRC within the prescribed timeframe after the relevant issue date (the "**NDRC Post-Issue Filing**") where applicable. In the worst case scenario, failure to complete the NDRC Post-Issue Filing may result in it being unlawful for the Company or the Issuer to perform or comply with any of its obligations under the Notes. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Each of the Issuer and the Company will undertake under the Terms and Conditions of the Notes to perform the filing as required by laws and regulations as applicable to it from time to time. A failure to complete any applicable registration and filing procedure will not only constitute a breach of the relevant laws and regulations (which may carry administrative penalties), but will also constitute an event of default pursuant to which the Notes could be accelerated.

In the case of Guaranteed Notes, if the Company fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the relevant Guarantee.

In the case of Guaranteed Notes, if the Company fails to submit the relevant Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the relevant Guarantee. The Company will enter into a Deed of Guarantee in respect of each Tranche of the Guaranteed Notes issued under the Programme. Pursuant to such Deed of Guarantee, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under such Tranche of the Guaranteed Notes and the Trust Deed. The Company is required to submit for registration the relevant Deed of Guarantee and other documents to the Beijing Branch of SAFE for registration in accordance with the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) within the prescribed timeframe after the execution of such Deed of Guarantee. Although the non-registration does not render the relevant Guarantee of the Guaranteed Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Company. The Company intends to use its all reasonable endeavours to complete the registration of the relevant Deed of Guarantee on or before the Registration Deadline (as defined in the Terms and Conditions of the Notes).

Following the occurrence of a Non-Registration Event (as defined in the Terms and Conditions of the Notes), the holder of any Guaranteed Notes of the relevant Tranche will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Non-Registration Event Redemption Date at their Early Redemption Amount (as defined in the Terms and Conditions of the Notes), together with accrued interest to such Non-Registration Event Redemption Date.

The administration of the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the relevant Deed of Guarantee with SAFE can be completed by the Company or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the relevant Deed of Guarantee in the PRC.

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

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

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

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. None of the Issuer, CSIF Holding or the Company has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

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

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

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

The Issuer may not be able to redeem the Notes upon the due date for redemption thereof.

If specified in the relevant Pricing Supplement, the Issuer may, at its option, at maturity, at Noteholders' option or following the occurrence of a Change of Control (as defined in the Terms and Conditions of the Notes) or a Non-Registration Event (as defined in the Terms and Conditions of the Notes), be required to redeem all or some of the Notes. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Notes could constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

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

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

If the Issuer, CSIF Holding or the Company is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Notes, there could be a default under the terms of these agreements, or the Notes, which could cause repayment of the debt of the Issuer, CSIF Holding or the Company to be accelerated.

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

The ratings of the Programme may be downgraded or withdrawn.

The Programme has been assigned a rating of "BBB+" by S&P and a rating of "BBB+" by Fitch for the issuances of Guaranteed Notes and KW Notes and a rating of Baa1 by Moody's for the issuance of Guaranteed Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer, CSIF Holding and the Company to perform their respective obligations under the Notes and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time. A reduction or withdrawal of the ratings may adversely affect the market price of the Notes and the Issuer's, CSIF Holding's or the Company's ability to access the debt capital markets.

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

Any adverse revision to either Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch, Moody's and S&P may adversely affect the Group's business, its financial performance and the trading price of the Notes. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.

Under the PRC Enterprise Income Tax Law ("**EIT law**") and its implementation rules, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises.

At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT

Law and related implementation regulations in the future. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer generally would be subject to the PRC enterprise income tax at the rate of 25.0 per cent. on its worldwide income.

Furthermore, if the Issuer is deemed to be a PRC resident enterprise, the Issuer would be obligated to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10 per cent. for non-PRC resident enterprises, or at a rate of 20 per cent. for non-PRC resident individuals. In addition, any gain realised by such investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10.0 per cent. PRC income tax for non-PRC resident enterprises, or a 20.0 per cent. PRC income tax for non-PRC resident individuals. Furthermore, because the Company is a PRC tax resident, the Company will be required to withhold PRC tax on payments under the Guarantee with respect to interest or any redemption premium at the above rates regardless of whether the Issuer is treated as a PRC tax resident. The PRC income tax liability may be reduced under applicable income tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Noteholders would be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

On 23 March 2016, the Ministry of Finance ("**MOF**") and State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36)(《關於全面推開營業稅改徵增值稅試點的通知》)("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. According to Circular 36, which was amended on 11 July 2017 and 20 March 2019, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6%. In addition, in that case the holders of the Notes shall also be subject to the local levies at approximately 12% of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, if the Issuer or, as the case may be, the relevant Guarantor is required to pay additional amounts with respect to any such PRC withholding taxes, the request to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and Company. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

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

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

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the relevant Guarantor pursuant to Condition 10 of the Terms and Conditions of the Notes and taking any steps and/or actions and/or instituting any proceedings pursuant to Condition 12 of the Terms and Conditions of the Notes, the Trustee may, at its sole discretion, request the Noteholders to provide an indemnity, security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Noteholders. The Trustee shall not be obliged to take any such steps and/or actions and/or to institute any such proceedings if not indemnified, secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity, security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity, security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Notes and, in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

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

The PRC government has no obligations under the Notes.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Notes in lieu of the Issuer or (as the case may be) the Company. This position has been reinforced by the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks（國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知）(the "**Joint Circular**") promulgated on 11 May 2018 which took effect on the same day, and the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises（中共中央辦公廳、國務院辦公廳關於加強國有企業資產負債約束的指導意見）promulgated on 13 September 2018 which took effect on the same day.

The majority shareholders of the Company are state-owned enterprises, which only have limited liability in the form of its equity contribution in the Company. The PRC government's holding of the shares of such shareholders does not necessarily correlate to, or provide any assurance as to, the Issuer's, CSIF Holding's or the Company's financial condition. As such, the PRC government does not have any payment obligations under the Notes issued under the Programme. Such Notes are solely to be repaid by the Issuer (or the relevant Guarantor) as an independent legal person.

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

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

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

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

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

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

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

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

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

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Reference rates and indices, including interest rate benchmarks, such as the Euro Interbank Offered Rate ("**EURIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Notes referencing or linked to such Benchmark.

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

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

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

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

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

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

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

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

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

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

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions (as amended and updated). Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

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

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) in the Terms and Conditions of the Notes).

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

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

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

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

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

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE MARKET GENERALLY

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

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

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

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

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

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

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

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

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings represent the opinions of the rating agencies and their assessment of the ability of the Issuer to perform their respective obligations under the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. Such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Notes will remain in effect for any given period or that the ratings will not be lowered, suspended or withdrawn by the rating agencies in the future if, in their judgment, the circumstances so warrant. None of the Issuer, CSIF Holding or the Company is obligated to inform holders of the Notes of any such suspension, revision, downgrade or (where rating maintenance as set out in Condition 4(d) of the Terms and Conditions of the Notes is not applicable) withdrawal. A suspension, downgrade or withdrawal of the ratings of any Notes at any time may materially and adversely affect the market price of the Notes and the Issuer's, CSIF Holding's and the Company's ability to access the debt capital markets.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

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

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which mat adversely affect the liquidity of Renminbi Notes.

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

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

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016, and the People's Bank of China (the "**PBOC**") and the Ministry of Commerce of the PRC have implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that any regulatory restrictions inhibit the ability of the Issuer or the Company to repatriate funds outside the PRC to meet its obligations under the Renminbi Notes, the Issuer or the Company will need to source Renminbi offshore to finance such obligations under the relevant Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

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

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

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

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

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

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

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

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

On 4 December 2023, the SAFE promulgated the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《關於進一步深化改革促進跨境貿易投資便利化的通知》)(“**Circular No. 28 [2023]**”), which improved the administration of negative list for use of revenue under the capital account and cancelled the approval for opening of foreign debt accounts at different places. Circular No. 28 [2023] encouraged the banks to include more high-quality enterprises into the scope of facilitation of payment of income under the capital account and provide more convenient and efficient cross-border capital settlement services for authentic and compliant cross-border investment and financing.

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

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

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

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

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from

PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

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

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

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

Investment in the Renminbi Notes is subject to exchange rate risks.

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

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

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

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

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

Investment in the Renminbi Notes is subject to interest rate risks.

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

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

RISKS RELATING TO THE KEEPWELL DEED

The Keepwell Deed is not a guarantee of the payment obligations under the KW Notes and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company.

The KW Notes (and not the Guaranteed Notes) have the benefit of the Keepwell Deed. The Company has entered into the Keepwell Deed in relation to the KW Notes. See "*Description of the Keepwell Deed*". Upon the occurrence of an event of default as set out in Condition 10 in the Terms and Conditions of the Notes, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, none of the Keepwell Deed or any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the KW Notes or obligation of CSIF Holding under the relevant Guarantee given by CSIF Holding. Accordingly, the Company will only be obliged to cause the Issuer or CSIF Holding, as the case may be, to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or CSIF Holding, as the case may be, to pay such payment obligations in full as they fall due or perform certain other specified actions under the Keepwell Deed, rather than assume the payment obligation as in the case of a guarantee. The Company's performance of its obligations under the Keepwell Deed is subject to, among other things, its cash flow conditions, requirements of its articles and applicable laws, restrictions contained in its debt instruments and claims by its creditors.

Furthermore, the performance by the Company of its obligations under the Keepwell Deed may be subject to regulatory approvals. Even if the Company intends to perform its obligations under the Keepwell Deed in causing the Issuer or CSIF Holding to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the KW Notes or the relevant Guarantee given by CSIF Holding, depending on the manner in which the Company performs such obligations, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant governmental authorities securities exchanges and quasi-governmental or private bodies.

In addition, under the Keepwell Deed, the Company undertakes to cause each of the Issuer and CSIF Holding to have sufficient liquidity to ensure timely payment by the Issuer or CSIF Holding, as the case may be, of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the KW Notes, the Guarantee of the KW Notes and payments due under the Trust Deed and the Agency Agreement). However, any claim by the Issuer, CSIF Holding and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (other than the Issuer or CSIF Holding), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (other than the Issuer or CSIF Holding) will have priority to the assets of such subsidiaries over the claims of the Issuer, CSIF Holding and the Trustee under the Keepwell Deed.

Furthermore, the Company in the Keepwell Deed undertakes to indirectly or directly hold all the outstanding ordinary shares of the Issuer and CSIF Holding having the right to vote for election of members of the board of directors of the Issuer and CSIF Holding. The Company may be required to dispose of any or all of such shares pursuant to any applicable law or regulation or a court decree, subject to the Keepwell Deed. Should the Company lose control of the Issuer and/or CSIF Holding, it may not be able to perform or comply with its obligations under the Keepwell Deed.

It is also uncertain whether the obligations of a keepwell provider under a keepwell deed will be recognised in bankruptcy procedures of the keepwell provider in the PRC. Recently, it was reported that the bankruptcy administrator in the debt restructuring of a parent company, which had provided certain support to certain outstanding offshore senior notes issued by one of its subsidiaries, has allegedly refused to recognise such company's obligations as the keepwell provider under such notes. As such, whether a keepwell deed may be recognised in bankruptcy procedures of the keepwell provider remains undecided as the judicial practice in the PRC evolves.

In addition, the obligations under the Keepwell Deed may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company. As the parties to the Keepwell Deed have submitted to the jurisdiction of Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under the Keepwell Deed and wish to enforce such a judgment in the PRC may do so pursuant to the New Arrangement. However, it is currently uncertain as to whether such a judgment will be recognised and enforced by PRC courts where it relates to insolvency proceedings commenced in the PRC as the judicial practice in this area is still evolving. Consequently, even if the Noteholders or the Trustee have successfully obtained judgment in Hong Kong courts in relation to the Keepwell Deed, there can be no assurance that PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the investors of the KW Notes may have limited or no remedies against the Company in connection with such insolvency proceedings.

EXCHANGE RATE

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the exchange rate for the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been set by the PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to that of the U.S. dollar to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the U.S. dollar.

The PRC government has made further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and as the over-the-counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective from 21 May 2007, the floating band for the trading prices in the interbank spot exchange market of the Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and as the balance of payments situation in China, it has decided to proceed further with the reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. On 12 April 2012, the PBOC announced that effective from 16 April 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. The PRC government may in the future make further adjustments to the exchange rate system. The PBOC announced on 15 March 2014 that since 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of the published central parity of the U.S. dollar on that day, instead of 2.0 per cent.

Although the PRC governmental policies have been introduced in 1996 to relax restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, still requires the approval of the SAFE and other relevant authorities. On 11 August 2015, the PBOC adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session. Following the announcement by PBOC on 11 August 2015, Renminbi depreciated significantly against U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the People's Bank of China on 5 August 2019 set the RMB's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making Renminbi freely convertible in the future.

On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PRC government may in the future make further adjustments to the exchange rate system. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016 and the number of basket currencies will increase from 13 to 24. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. On 15 September 2022, the Renminbi's daily reference rate again rose to above RMB7.00 per U.S. dollar. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth for the periods indicated, certain information concerning the exchange rates between the Renminbi and U.S. dollars. The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board for and as at the periods indicated.

	Noon buying rate			
Period	**Period end**	**Average(1)**	**High**	**Low**
	(RMB per U.S.$1.00)			
2018	6.8755	6.6090	6.9737	6.2649
2019	6.9618	6.9081	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5250
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3084
2023	7.0999	7.0896	7.3430	6.7010
2024				
January	7.1673	7.1707	7.1961	7.1426
February	7.1977	7.1935	7.1982	7.1799
March	7.2289	7.1950	7.2289	7.1804
April (through 22 April)	7.2403	7.2352	7.2403	7.2305

Note:

(1) Calculated by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which were calculated by averaging the daily rates for such month or part thereof.

Hong Kong

The Hong Kong dollar is freely convertible into the U.S. dollar. Since 1983, the Hong Kong dollar has been linked to the U.S. dollar. Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of payments to U.S. residents. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong.

Although the market exchange rate of the Hong Kong dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange market, between 1983 and May 2005 Hong Kong maintained a fixed rate system which fixed the rate of exchange to HK$7.80 per U.S. dollar (the "**Linked Exchange Rate System**"). However, in May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK$7.80 per U.S. dollar to a new range varying between HK$7.75 per U.S. dollar and HK$7.85 per U.S. dollar. The

Hong Kong government has indicated its intention to maintain the Linked Exchange Rate System. The Hong Kong government has also stated that it has no intention of imposing exchange controls and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the trading band at HK$7.75 to HK$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the Hong Kong dollar and other currencies are influenced by the value of the U.S. dollar.

The following table sets forth the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board for and as at the periods indicated.

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7752	7.8034	7.7515
2022	7.8015	7.8324	7.8499	7.7693
2023	7.8109	7.8309	7.8499	7.7920
2024				
January	7.8175	7.8165	7.8263	7.8078
February	7.8286	7.8236	7.8286	7.8185
March	7.8219	7.8222	7.8289	7.8198
April (though 22 April)	7.8334	7.8311	7.8368	7.8259

Note:

(1) Annual averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily rates during the relevant month or period.

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used for the Group's working capital and general corporate purposes or to refinance the Group's existing indebtedness. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets out the consolidated capitalisation and indebtedness of the Group as at 31 December 2023. The table should be read in conjunction with the Group's audited consolidated financial statements as at and for 31 December 2023 and the notes thereto included in this Offering Circular.

	As at 31 December 2023	
	Actual	
	RMB	US$
	(audited)	(unaudited)
	(in millions)	
Current borrowings		
Short-term borrowings	473,460	66,685
Short-term financing instruments payable	37,701,659	5,310,168
Placements from banks and other financial institutions	1,904,048	268,180
Bonds in issue with maturity within one year under other current liabilities	22,150,473	3,119,829
Non-current borrowings		
Bonds in issue	80,643,971	11,358,466
Total indebtedness	**142,873,611**	**20,123,327**
Equity		
Share capital	7,756,695	1,092,508
Other equity instruments	24,906,528	3,508,011
Reserves	35,665,798	5,023,423
Retained earnings	29,149,026	4,105,554
Equity attributable to equity holders of the Company	97,478,047	13,729,496
Non-controlling interests	48,360	6,811
Total equity	**97,526,407**	**13,736,307**
Total capitalisation[1]	**240,400,018**	**33,859,634**

Notes:

(1) Total capitalisation equals the sum of total indebtedness and total equity.

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.

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 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.

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.

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.

Except as disclosed in this Offering Circular, there has been no material adverse change in the Group's capitalisation since 31 December 2023. The Group may from time to time issue commercial papers, corporate bonds, subordinated bonds or other debt securities in compliance with applicable laws and regulations to finance our operation in the ordinary course of business.

CAPITALISATION AND INDEBTEDNESS OF CSIF HOLDING

The following table sets out the consolidated capitalisation and indebtedness of CSIF Holding as at 31 December 2023. The table should be read in conjunction with CSIF Holding's audited consolidated financial statements as at and for 31 December 2023 and the notes thereto included in this Offering Circular.

	As at 31 December 2023	
	Actual	
	HK$	US$
	(audited)	(unaudited)
	(in millions)	
Current borrowings		
Accounts payable	2,129,008	272,569
Bank borrowings	5,105,357	653,620
Notes payable	855,759	109,560
Bonds payable	3,903,934	499,806
Non-current borrowings		
Bonds payable	9,411,550	1,204,925
Total indebtedness	**21,405,608**	**2,740,479**
Equity		
Share capital	4,000,000	512,105
Retained earnings	177,099	22,673
Reserves	(76,335)	(9,773)
Total equity	**4,100,764**	**525,005**
Total capitalisation	**25,506,372**	**3,265,484**

Notes:

(1) Total capitalisation equals the sum of total indebtedness and total equity.

Except otherwise stated, there has been no material change in the consolidated capitalisation and indebtedness of CSIF Holding since 31 December 2023.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented if (necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of

Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).][2]

Paragraph 21 of the Hong Kong SFC Code of Conduct – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors*" appearing on pages iv to v of the Offering Circular (as defined below), and CMIs (as defined in the Offering Circular) should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)*" appearing on pages 234 to 236 of the Offering Circular.[3]

[This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**")) ("**Professional Investors**") only.

Application will be made to the HKSE for the listing of, and permission to deal in the Notes by way of debt issues to Professional Investors only.

Notice to Hong Kong Investors: Each of the Issuer, the Company and the Guarantor confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, each of the Issuer and the Guarantor confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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2 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

3 To include for an in-scope drawdown for the purposes of paragraph 21 of the Hong Kong SFC Code of Conduct.

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

[Date]

CSCIF Hong Kong Limited
Legal entity identifier (LEI): 254900I8Y7Q0BV4W5W20
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "Notes")
Guaranteed by [CSC Financial Co., Ltd.（中信建投証券股份有限公司）/China Securities (International) Finance Holding Company Limited 中信建投（國際）金融控股有限公司] with the benefit of a Keepwell Deed entered into by CSC Financial Co., Ltd.（中信建投証券股份有限公司）
under its U.S.$4,000,000,000
Guaranteed Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Offering Circular dated 26 April 2024 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented]. Full information on the Issuer, the Guarantor[, the Company] and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [•]] and this Pricing Supplement.

[N.B. If the Issuer, the Guarantor or the Company has prepared any unaudited, but reviewed, condensed consolidated financial statements dated as at a date, or for a period ending, subsequent to the financial statements appearing in the latest Offering Circular, ensure that such financial statements are provided to potential investors of the relevant series of Notes as soon as practicable upon announcement of the deal.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [original date] [and the Supplemental Offering Circular dated [•]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto. Full information on the Issuer, the Guarantor[, the Company] and the offer of the Notes is only available on the basis of the combination of the Offering Circular[, the Supplemental Offering Circular dated [•]] and this Pricing Supplement]

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

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

1	(i)	Issuer:	CSCIF Hong Kong Limited
	(ii)	Guarantor:	[CSC Financial Co., Ltd.（中信建投証券股份有限公司）][3]/[China Securities (International) Finance Holding Company Limited 中信建投（國際）金融控股有限公司][4]
	(iii)	[Keepwell Provider (the "**Company**"):	CSC Financial Co., Ltd.（中信建投証券股份有限公司）][5]
2	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 34 below, which is expected to occur on or about [date]]/[Not Applicable]
3	Specified Currency or Currencies:		[•]
4	Aggregate Nominal Amount:		
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
5	(i)	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
	(ii)	[Net proceeds:	[•]] [*Delete for unlisted issuances.*]
6	(i)	Specified Denominations:[6, 7]	[•]
	(ii)	Calculation Amount:	[•]
7	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]

3 Applicable only in respect of an issue of Guaranteed Notes.

4 Applicable only in respect of an issue of KW Notes.

5 Applicable only in respect of an issue of KW Notes.

6 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

7 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000. In relation to any issue of Notes which are a "Global Note exchangeable to Definitive Notes" in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

8	Maturity Date:	[*Fixed rate – specify date/Floating rate* – Interest Payment Date falling in or nearest to [*specify month*]][8]
9	Interest Basis:	[[•] per cent. Fixed Rate] [[EURIBOR/HIBOR/CNH HIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid][Instalment] [specify other]
11	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*] [Not Applicable]
12	Put/Call Options:	Relevant Events Put Option [Investor Put][9] [Issuer Call] [(further particulars specified below)]
13	Rating Maintenance:	[Applicable/Not Applicable]
14	Date of [Board] approval for issuance of Notes and Guarantee obtained:	Issuer's Board Resolutions dated [•] [and Guarantor's Board Resolutions dated [•], respectively] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee*)
15	Regulatory approval for issuance of Notes obtained: [10]	[[•]/None required] [Date]
16	Listing:	[The Stock Exchange of Hong Kong Limited/*specify other*/None] (*For Notes to be listed on the HKSE, insert the expected effective listing date of the Notes*)
17	Method of distribution:	[Syndicated/Non-syndicated]

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8 Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

9 For as long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Global Note, an Investor Put shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or the Agent.

10 If pre-Issue registration with the NDRC is required, the date of the Registration Certificate of Enterprise Foreign Debt should be included.

Provisions Relating to Interest (if any) Payable

18	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear]
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/*not adjusted*] *(N.B.: This will need to be amended in the case of long or short coupons*)
	(iii) Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[•] per Calculation Amount[11]
	(iv) Broken Amount(s): (Applicable to Notes in definitive form)	[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/365 (Fixed)[12] or [specify other]]
	(vi) Determination Date(s):	[•] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
19	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

11 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

12 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

(i)	Interest Period(s):	[•] [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii)	Specified Interest Payment Dates:	[•] in each year [[, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment [, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iii)	Interest Period Date:	[Not Applicable]/[•] [in each year [, subject to adjustment in accordance with the Business Day Convention set out in (v) below] [, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]] (*Not applicable unless different from Interest Payment Date*)
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [*specify other*]]
(vi)	Additional Business Centre(s):	[•]
(vii)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
(viii)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[•]
(ix)	Screen Rate Determination (other than SOFR):	
	– Reference Rate:	[•] *(Either EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
	– Interest Determination Date(s):	[•] *(The second Hong Kong business day prior to the start of each Interest period if CNH HIBOR, first day of each Interest Period if HIBOR and the second day on which the T2 (or any successor or replacement for that system) is open prior to the start of each Interest Period if EURIBOR)*

	– Relevant Screen Page:	[•] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(x)	Screen Rate Determination (SOFR):	
	– Reference Rate:	SOFR Compounded Index
	– Interest Determination Date(s):	The [•] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period
	– SOFR Observation Shift Days:	[•] U.S. Government Securities Business Day
	– SOFR $Index_{Start}$:	[•] U.S. Government Securities Business Day
	– SOFR $Index_{End}$:	[•] U.S. Government Securities Business Day
(xi)	ISDA Determination:	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]
(xii)	Linear Interpolation:	[Note Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Accrual Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(xiii)	Margin(s):	[+/-] [•] per cent. per annum
(xiv)	Minimum Rate of Interest:	[•] per cent. per annum
(xv)	Maximum Rate of Interest:	[•] per cent. per annum
(xvi)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] *(See Condition 5 for alternatives)*
(xvii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event (Condition 5(iii)(E))/Benchmark Event (SOFR) (Condition 5(iii)(F))/specify if fallback provisions different from those set out in the Conditions]

20	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[•] per cent. per annum
	(ii) Day Count Fraction in relation to Early Redemption Amounts:	[•]
	(iii) Any other formula/basis of determining amount payable:	[•]
21	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Index/Formula:	[*give or annex details*]
	(ii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[•]
	(iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[•]
	(iv) Determination Date(s):	[•]
	(v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(vi) Interest or calculation period(s):	[•]
	(vii) Specified Interest Payment Dates:	[•]
	(viii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ *specify other*]
	(ix) Business Centre(s):	[•]
	(x) Minimum Rate/Amount of Interest:	[•] [per cent.] per annum
	(xi) Maximum Rate/Amount of Interest:	[•] [per cent.] per annum

	(xii) Day Count Fraction:	[•]
22	Dual Currency Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii) Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[•]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[•]

Provisions Relating to Redemption

23	Issuer Call:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/specify other/see Appendix]
	(iii) If redeemable in part:	[•]
	(a) Minimum Redemption Amount:	[•]
	(b) Maximum Redemption Amount:	[•]
	(iv) Notice period (if other than as set out in the Conditions):	*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
24	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[•] per Calculation Amount/specify other/see Appendix]
	(iii) Notice period (if other than as set out in the Conditions):	[•] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee)*
25	Relevant Events Put:	Condition 6(d) applies
26	Final Redemption Amount:	[[•] per Calculation Amount/specify other/see Appendix]
27	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[[•] per Calculation Amount/specify other/see Appendix]

General Provisions Applicable to the Notes

28	Form of Notes:	**[Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice[13]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] **[Registered Notes**: Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]
29	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 18(ii), 19(vi) relate and 21(ix))*

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

30	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
32	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
33	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*]
34	Consolidation provisions:	[Not Applicable]/[The provisions annexed to this Pricing Supplement apply]
35	Other terms or special conditions:	[Not Applicable/*give details*]

Distribution

36	(i) If syndicated, names and addresses of Managers and commitments:	[Not Applicable/*give names and addresses and commitments*]
	(ii) Date of Subscription Agreement:	[•]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
37	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
38	Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount
39	U.S. Selling Restrictions:	[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/ TEFRA not applicable[14]]
40	Additional selling restrictions:	[Not Applicable/*give details*]

[14] "TEFRA not applicable" is only available for Bearer Notes with a with a term of 365 days or less (taking into account any unilateral extensions and rollovers) or Registered Notes.

41	Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable/Not Applicable]

Operational Information

42	Any clearing system(s) other than Euroclear and Clearstream and the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
43	Delivery:	Delivery [against/free of] payment
44	Additional Paying Agent(s) (if any):	[•]
45	(i) ISIN:	[•]
	(ii) Common Code:	[•]
	(iii) CMU Instrument Number:	
	(insert here any other relevant codes such as a CMU instrument number):	[•]
46	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [•], producing a sum of (for Notes not denominated in U.S. dollars):	[Not applicable/U.S.$[•]]
47	Ratings:	The Notes to be issued have been rated: [[•]: [•]] [[•]: [•]] [[•]: [•]] (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)

Hong Kong SFC Code of Conduct

47	(i) Rebates:	[A rebate of [•] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]

(ii)	Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]/[Not Applicable]
(iii)	[Marketing and Investor Targeting Strategy:	[*Give details if different from the Offering Circular*]]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Dealers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement [provided that [•] shall not be appointed or acting as the Stabilisation Manager][15] may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$4,000,000,000 Guaranteed Medium Term Note Programme of CSCIF Hong Kong Limited.]

RESPONSIBILITY

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

Signed on behalf of CSCIF Hong Kong Limited:	Signed on behalf of [CSC Financial Co., Ltd.(中信建投証券股份有限公司)/China Securities (International) Finance Holding Company Limited 中信建投(國際)金融控股有限公司]:
By: ______________________ Duly authorised	By: ______________________ Duly authorised

15 Include if requested by relevant Manager.

TERMS AND CONDITIONS OF THE NOTES

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

The Notes are issued by CSCIF Hong Kong Limited (the "**Issuer**") pursuant to the Trust Deed (as defined below). Issues of the Notes by the Issuer are guaranteed either by China Securities (International) Finance Holding Company Limited 中信建投(國際)金融控股有限公司 ("**CSIF Holding**") (the "**KW Notes**") or CSC Financial Co., Ltd.(中信建投証券股份有限公司)(the "**Company**") (the "**Guaranteed Notes**") as specified hereon. References to the "**Guarantor**" means either CSIF Holding or the Company as specified hereon, as the case may be. The KW Notes will have the benefit of a keepwell deed dated 26 April 2024 (as amended, restated and/or supplemented from time to time, the "**Keepwell Deed**") between the Issuer, CSIF Holding, the Company (in its capacity as keepwell provider) and the Trustee (as defined below).

The Notes are constituted by a trust deed dated 26 April 2024 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, CSIF Holding, the Company and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall, where the context so permits, include any successor and all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). An agency agreement dated 26 April 2024 (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") has been entered into in relation to the Notes between the Issuer, CSIF Holding, the Company, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as initial issuing and paying agent for Notes other than the Notes held in the CMU (as defined below), the CMU lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and other agents named therein. The issuing and paying agent, the CMU lodging and paying agent, any other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and the Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" and collectively, the "**Agents**". For the purposes of these terms and conditions (these "**Conditions**"), all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Each Tranche (as defined below) of Notes will have the benefit of a deed of guarantee dated on or about the relevant date of issue of the Notes (the "**Issue Date**") (as amended, restated and/or supplemented from time to time, each a "**Deed of Guarantee**") to be entered into between the relevant Guarantor and the Trustee.

Copies of the Trust Deed, the relevant Deed of Guarantee (if entered into), the Agency Agreement and the Keepwell Deed (in the case of the KW Notes only) are available for inspection by the Noteholders (i) during usual business hours (being between 10:00 a.m. and 3:00 p.m., Hong Kong time) upon prior written request and proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Issuing and Paying Agent at the principal office of the Trustee (presently at Level 26, HSBC Main Building, 1 Queen's Road, Central, Hong Kong) and at the specified office of the Issuing and

Paying Agent or (ii) via e-mail upon prior written e-mail request to hkcorporate.trust.queries@hsbc.com.hk and upon proof of holding and identity to the satisfaction of the Trustee, or as the case may be, the Issuing and Paying Agent.

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

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

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

1 Form, Denomination and Title

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

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

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

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

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

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

2 No Exchange of Notes, Transfers of Registered Notes and Certificates

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

(b) **Transfer of Registered Notes:** One or more Registered Notes may, subject to Conditions 2(b) and 2(f) and the provisions of the Agency Agreement, be transferred upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in a Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred (which shall be in a Specified Denomination) shall be issued to the transferor. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement (the "**Regulations**"). The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available by the Registrar to any Noteholder upon written request and proof of holding and identity satisfactory to the Registrar.

Transfer of interests in the Notes evidenced by the Global Certificate will be affected in accordance with the rule of relevant clearing systems.

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

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

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

(f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) after the exercise of the put option in Condition 6(d), (iii) after the exercise of the put option in Condition 6(f), (iv) during the period of 15 days prior to any date on which Notes may called for redemption in part by the Issuer at its option pursuant to Condition 6(e), (v) after any such Note has been called for redemption, or (vi) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(c)(ii)).

*Notes which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Cleasrstream**") and the CMU, as the case may be. References to Euroclear and/or Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be selected by the Issuer and/or the relevant Guarantor and approved by the Principal Paying Agent and the Trustee.*

3 Guarantee and Status

(a) **Status of Notes:** The Notes and any Receipts and Coupons relating to them constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

(b) **Guarantee:** The relevant Guarantor will in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and, if applicable, the Receipts and the Coupons (the "**Guarantee**"). The payment obligations of the relevant Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(a), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of such Guarantor.

4 Negative Pledge and Other Covenants

(a) **Negative Pledge:**

(i) In the case of the KW Notes only, so long as any KW Note or related Coupon remains outstanding (as defined in the Trust Deed), none of the Issuer, CSIF Holding or the Company shall, and each of the Issuer, CSIF Holding and the Company shall ensure that none of the Principal Subsidiaries (as defined below) (other than any Principal Subsidiary, the common shares of which are listed for trading on any recognised stock exchange) will, create or, have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) at any time, with a book value exceeding 7.5 per cent. of the Consolidated Total Assets of the Company in the aggregate, now owned or hereafter acquired, to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the relevant Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and

(ii) In the case of the Guaranteed Notes only, so long as any Guaranteed Note or related Coupon remains outstanding, none of the Issuer or the Company shall, and each of the Issuer and the Company shall ensure that none of the Principal Subsidiaries (other than any Principal Subsidiary, the common shares of which are listed for trading on any recognised stock exchange) will, create or, have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) at any time, with a book value exceeding 7.5 per cent. of the Consolidated Total Assets of the Company in the aggregate, now owned or hereafter acquired, to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the relevant Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as (A) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (B) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) **Undertakings in relation to the Guarantee:**

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

(ii) In the case of each Tranche of the Guaranteed Notes only, the Company shall:

(A) register or cause to be registered with SAFE the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Foreign Exchange Administration Rules on Cross-border Security(跨境擔保外匯管理規定)of the PRC (the "**Cross-border Security Registration**");

(B) use all reasonable endeavours to complete the Cross-border Security Registration on or before the relevant Registration Deadline and obtain the relevant SAFE registration certificate relating to such Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration);

(C) deliver to the Trustee on or before the relevant Registration Deadline (x) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Company confirming the completion of the Cross-border Security Registration in connection with the relevant Deed of Guarantee, and (y) a copy of the relevant SAFE registration certificate relating to the Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration), each certified in English as a true and complete copy of the original by an Authorised Signatory of the Company (the items specified in (x) and (y) together, the "**SAFE Registration Documents**");

(D) comply with all applicable PRC laws and regulations in relation to the relevant Guarantee; and

(E) procure the giving of notice to Noteholders by the Issuer in accordance with Condition 16, within 14 calendar days after the SAFE Registration Documents are delivered to the Trustee, confirming the completion of the Cross-border Security Registration.

(c) **Financial Information:**

(i) For so long as any Note or Receipt or Coupon remains outstanding, the Company will furnish the Trustee with: (A) a Compliance Certificate of the Company (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance) and a copy of the Company Audited Financial Reports; and (B) a copy of the Company Unaudited Financial Reports, in each case, as soon as they are available but in any event not more than 14 calendar days after such financial reports of the Company are filed with the exchange on which the Company's ordinary shares are at such time listed for trading;

(ii) For so long as any KW Note or the related Receipt or Coupon remains outstanding, CSIF Holding will furnish the Trustee with:

(A) a Compliance Certificate of CSIF Holding (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder or any other person for such reliance) and copy of the CSIF Holding Audited Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with Hong Kong Financial Reporting Standards (audited by an internationally recognised firm of independent accountants) of CSIF Holding and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of CSIF Holding certifying that such translation is complete and accurate.

(B) a copy of the unaudited and unreviewed balance sheet and income statement (the "**CSIF Holding Unaudited Financial Statements**") of CSIF Holding within 180 days of the end of each Relevant Period prepared on a basis substantially consistent with the audited consolidated financial statements of CSIF Holding and its Subsidiaries (in which case does not include any statements, reports (including any directors' and auditors' reports) and notes) and if such CSIF Holding Unaudited Financial Statements shall be in the Chinese language, together with an English translation of the same and translated by (aa) an internationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of CSIF Holding certifying that such translation is complete and accurate;

(iii) For so long as any Note or Receipt or Coupon remains outstanding, the Issuer will furnish the Trustee with a Compliance Certificate of the Issuer (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Noteholder, Receiptholder and/or Couponholder or any other person for such reliance) within 120 days of the last day of the Company's financial year (being 31 December of that financial year); and

(iv) For so long as any Note or Receipt or Coupon remains outstanding, each of the Issuer and the Company, and, for so long as any KW Note or the related Receipt or Coupon remains outstanding, CSIF Holding shall furnish the Trustee with a Compliance Certificate within 14 days of any request therefor from the Trustee, and the Trustee may rely conclusively on any Compliance Certificate provided as contemplated in this paragraph and shall not be liable to any Noteholder, Receiptholder and/or Couponholder or any other person for doing so.

(d) **Rating Maintenance:** Where Rating Maintenance is specified hereon, so long as any Note remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders, the Issuer, CSIF Holding (in the case of the KW Notes only) and the Company undertake that they will maintain a rating on the Notes by a Rating Agency.

(e) **Issuer Activities:** The Issuer shall not, and CSIF Holding (in the case of the KW Notes only) and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the Notes, the Receipts and the Coupons (such activities in connection with the Notes, the Receipts and the Coupons shall, for the avoidance of doubt, include (i) establishment and maintenance of the Programme, (ii) the offering, sale or issuance of the Notes, the Receipts and the Coupons under the Programme or other bonds or notes which are, or are capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC, the on-lending of the proceeds therefrom to CSIF Holding, the Company or any of the Company's other Subsidiaries and any other activities reasonably incidental thereto; and (iii) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence).

(f) **NDRC:** In relation to each Tranche of Notes where Order 56 is applicable, the Company undertakes that, it will submit the NDRC Post-Issue Filing and, as soon as reasonably practicable after such submission, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company confirming the submission of the NDRC Post-Issue Filing; and (ii) a copy of the NDRC Post-Issue Filing setting out the particulars of filing (or any other document evidencing the submission of the NDRC Post-Issue Filing), in each case certified in English as a true and complete copy of the original by an Authorised Signatory of the Company.

(g) **Undertakings under the Keepwell Deed:** For so long as any KW Note or Receipt or Coupon relating to a KW Note remains outstanding, the Company has undertaken in the Keepwell Deed that it shall, among others: (i) directly or indirectly own and hold all the outstanding shares of each of the Issuer and CSIF Holding having the right to vote for election of members of the board of directors of the Issuer and CSIF Holding and shall not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged; and (ii) cause CSIF Holding to remain the primary overseas platform of the Company for investment and offshore financing.

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

The Trustee shall have no obligation or duty to monitor or ensure or to assist with the filing or registration of the Notes or the relevant Deed of Guarantee with SAFE on or before the Registration Deadline or the NDRC Post-Issue Filing within the timeframe specified in Condition 4(f) or to verify the accuracy, completeness, validity and/or genuineness of any documents in relation to or in connection with the Cross-border Security Registration and/or the NDRC Post-Issue Filing and/or the SAFE Registration Documents and/or the information and documents filed with the NDRC in the course of the NDRC Post-Issue Filing and/or the documents evidencing the NDRC Post-Issue Filing (if any) or to procure that any SAFE Registration Document or any other certificate, confirmation, information or document filed with the NDRC in the course of the NDRC Post-Issue Filing not in English is translated into English or, if any English translation of any document is provided or retained, to verify the accuracy of any English translation of any SAFE Registration Document or any other certificate, confirmation or document or to give notice to the Noteholders confirming the completion of the Cross-border Security Registration and/or the NDRC Post-Issue Filing, and shall not be liable to Noteholders or any other person for not doing so.

In these Conditions:

"**Company Audited Financial Reports**" means annual audited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners' equity of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Company Unaudited Financial Reports**" means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited and unreviewed consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners' equity of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

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

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

(ii) each of the Issuer, CSIF Holding (in the case of KW Notes only) and the Company (as the case may be) has complied with all its obligations under the Trust Deed, the relevant Deed of Guarantee, and as the case may be, the Keepwell Deed and the Notes or, if non-compliance had occurred, giving details of it;

"**Consolidated Total Assets**" means, as of any date, the consolidated total assets less the sum of (i) cash held on behalf of customers and (ii) customers' refundable deposits of the Company, each measured in accordance with IFRS as of the balance sheet date of the most recent Company Audited Financial Reports published or furnished by the Company under Condition 4(c)(i) or, if later, the most recent Company Unaudited Financial Reports published or furnished by the Company under Condition 4(c)(i);

"**CSIF Holding Audited Financial Reports**" means annual audited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners' equity of CSIF Holding together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

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

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

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

"**NDRC Post-Issue Filing**" means the filing of the requisite information and documents with the NDRC within the prescribed timeframe after the relevant Issue Date of the Notes in accordance with Order 56;

"**Order 56**" means the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號) issued by the NDRC and which came into effect on 10 February 2023 and any implementation rules, reports, certificates or guidelines as may be issued by the NDRC prior to the submission of such filing, as supplemented and amended from time to time;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**Rating Agency**" means (i) S&P Global Ratings, (ii) Moody's Investors Service, Inc., or (iii) Fitch Ratings Ltd., and their respective successors.

"**Registration Business Day**" means a day, other than a Saturday, Sunday or a day on which SAFE is authorised or obligated by law or executive order to remain closed;

"**Registration Deadline**" means the day falling 150 Registration Business Days after the relevant Issue Date of the Notes;

"**Relevant Indebtedness**" means any present or future indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and has a final maturity of one year or more from its date of incurrence or issuance (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans) and shall not include any structured product which is issued in the ordinary course of business and is not issued for capital raising purposes (in the event of a dispute, the Trustee may rely without inquiry on a certificate signed in good faith by any Authorised Signatory of the Issuer, CSIF Holding (in the case of KW Notes only) or the Company, as the case may be, stating whether any structured product is or is not issued in the ordinary course of business and/or for capital raising purposes);

"**Relevant Period**" means (i) in relation to each of the Company Audited Financial Reports and the CSIF Holding Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year); and (ii) in relation to each of the Company Unaudited Financial Reports and the CSIF Holding Unaudited Financial Statements, each period of six months ending on the last day of its first half financial year (being 30 June of that financial year);

"**SAFE**" means the Beijing Branch of the State Administration of Foreign Exchange of the PRC; and

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

5 Interest and other Calculations

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

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

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

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

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

(A) ISDA Determination for Floating Rate Notes

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

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

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

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

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

(B) Screen Rate Determination for Floating Rate Notes (other than Notes where the Reference Rate is specified as SOFR Benchmark)

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is not SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

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

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

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Issuer with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the Interest Determination Date in question, and such offered quotations shall be notified by the Issuer to the Calculation Agent (with a copy to the Trustee) by a certificate substantially in the form set out in Schedule 7 of the Trust Deed no later than five Business Days prior to the interest due date. If two or more of the Reference Banks provide the Issuer with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Issuer determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Issuer by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Issuer with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Issuer it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, and such offered rates shall be notified by the Issuer to the Calculation Agent (with a copy to the Trustee) by a certificate substantially in the form set out in Schedule 7 of the Trust Deed no later than five Business Days prior to the interest due date, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as SOFR Benchmark

If Screen Rate Determination is specified hereon as the manner in which the Rate of Interest(s) is/are to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest applicable to the Notes for each Interest Accrual Period will, subject as provided below, be equal to the sum of the SOFR Benchmark plus or minus (as specified hereon) the Margin (if any), all as calculated by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on SOFR Compounded Index (as specified hereon), as follows (subject to Condition 5(b)(iii)(F)):

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

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

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

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

"**SOFR Index$_{\text{End}}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified hereon preceding the Interest Payment Date on which such Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date); and

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

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

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source; and

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(x) the SOFR Index value as published on the SOFR Administrator's Website at or about 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); provided that in the event that the value originally published by the SOFR Administrator at or about 3.00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

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

   (1) if a Benchmark Event (as defined in Condition 5(b)(iii)(F)) and its related Benchmark Replacement Date (as defined in Condition 5(b)(iii)(F)) have not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(b)(iii)(C); or

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

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

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date which is the number of SOFR Observation Shift Days preceding the first date of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the number of SOFR Observation Shift Days preceding the Issue Date) to, but excluding, the date which is the number of

SOFR Observation Shift Days preceding the Interest Payment Date on which such Interest Accrual Period ends (or in the final Interest Accrual Period, the Maturity Date); and

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

(D) SOFR Index Unavailable

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

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

$$\left(\prod_{i=1}^{d_0}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\left(\frac{360}{\mathrm{d}_c}\right)$$

Where:

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

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

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

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

"**SOFR$_i$**" for any U.S. Government Securities Business Day (i) in the relevant SOFR Observation Period, is equal to SOFR in respect of that U.S. Government Securities Business Day (i).

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

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

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

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

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

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

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Determination Time**" means on or about 3.00 p.m. (New York time) on the SOFR Administrator's Website on the immediately following U.S. Government Securities Business Day;

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

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

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

(E) Benchmark Discontinuation (other than Notes where the Reference Rate is specified as being SOFR Benchmark)

(x) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iii)(E)(y)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(b)(iii)(E)(aa)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(b)(iii)(E) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the relevant Guarantor, the Trustee, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iii)(E).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iii)(E)(x) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(b)(iii)(E)(x).

(y) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(1) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(E)); or

(2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to

determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(b)(iii)(E)).

(z) Adjustment Spread

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

(aa) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(b)(iii)(E) and the Independent Adviser, determines (1) that amendments to these Conditions, the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iii)(E)(bb), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

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

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

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

(bb) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iii)(E) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 16. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

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

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

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

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

(cc) Survival of Original Reference Rate

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

(F) Benchmark Discontinuation (SOFR Benchmark)

The following provisions shall only apply if Benchmark Event (SOFR) is specified hereon as applicable:

(x) Benchmark Replacement

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

(y) Benchmark Replacement Conforming Changes

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

(z) Decisions and Determinations

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

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

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

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

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

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

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

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

(1) the sum of: (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and (ii) the Benchmark Replacement Adjustment;

(2) the sum of: (i) the ISDA Fallback Rate; and (ii) the Benchmark Replacement Adjustment; or

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

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

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

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

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

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

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

(1) in the case of sub-paragraph (1) or (2) of the definition of "**Benchmark Event**", the later of: (i) the date of the public statement or publication of information referenced therein; and (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(2) in the case of sub-paragraph (3) of the definition of "**Benchmark Event**", the date of the public statement or publication of information referenced therein.

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

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

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

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

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

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

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

(G) Linear Interpolation

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

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

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

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

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

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

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

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

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

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

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

So long as the Notes are represented by a Global Certificate which is held on behalf of Euroclear, Clearstream, the CMU or any other clearing system, the Interests in respect of the Notes shall be calculated based on the aggregate principal amount of the Notes represented by the Global Certificate.

(j) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, each of the Transfer Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information as soon as possible after their determination or upon request of the Issuer but in no event later than the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

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

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

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

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

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

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

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

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

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

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

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

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Business Day**" means:

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

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

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

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

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

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

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

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

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

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

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

"**Interest Amount**" means:

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

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

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

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

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

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

"**ISDA Definitions**" means the 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

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

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

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

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

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

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

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

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

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

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

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

(m) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note, Receipt or Coupon is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior written notice to the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

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

6 Redemption, Purchase and Options

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

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

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

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

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

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b)(i), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

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

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 6(b)(i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(e) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (in accordance with Condition 16) and to the Trustee and the Issuing and Paying Agent in writing (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to (but excluding) the date fixed for redemption), if the Issuer (or, if the relevant Guarantee was called, the relevant Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) it (or, if the relevant Guarantee were called, the relevant Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Notes (or the relevant Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the relevant Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer (or of the relevant Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the relevant Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change in or amendment to laws or regulations or change in the application or official interpretation thereof, and the Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 6(c) without further enquiry and without liability to any Noteholder, Receiptholder or Couponholder, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and Couponholders. The Trustee shall be protected and shall have no liability to any Noteholder, Receiptholders, Couponholders or any other person for so accepting and relying on any such certificate and opinion. All Notes in respect of which any notice of redemption is given under this Condition 6(c) shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

(d) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the Put Settlement Date at 101 per cent. of their nominal amount, together in each case with accrued interest to (but excluding), such Put Settlement Date. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and (in the case of Fixed Rate Notes other than Dual Currency Notes of Index-Linked Notes) Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates representing such Note(s) with the Registrar or any Transfer Agent at its specified office together with a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Put Exercise Notice**"), by not later than 30 days following the occurrence of a Change of Control or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

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

The Issuer shall give notice to Noteholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(d).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Change of Control has occurred and shall not be responsible for or liable to the Noteholders, the Receiptholders, the Couponholders, the Issuer, CSIF Holding, the Company or any other person for any loss arising from any failure to do so.

In this Condition 6(d):

"**Beijing SASAC**" means the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing of the PRC or its successor;

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

(i) any person or persons, acting as a group, other than a Permitted Holder, acquiring ownership or control directly or indirectly or in combination (through controlled Subsidiaries) of more than 50 per cent. of the Voting Rights of the issued share capital of the Company; or

(ii) the Company ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of CSIF Holding; or

(iii) CSIF Holding ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;

"**Control**" means (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such person; the term "**Controlled**" has a meaning correlative to the foregoing;

"**Permitted Holder**" means any of Beijing SASAC, SASAC, the central government of the PRC, or any person directly or indirectly Controlled by the Beijing SASAC, SASAC or the central government of the PRC;

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

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the PRC or its successor; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

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

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

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as determined by the Issuer and notified in writing to the Trustee and the Issuing and Paying Agent, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) specified hereon at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to (but excluding) the date fixed for redemption, if applicable.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (an "**Exercise Notice**") in the form for the time being current, obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Redemption for Non-Registration:** In the case of Guaranteed Notes only, upon the occurrence of a Non-Registration Event, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Notes on the **Non-Registration Event Redemption Date** at 100 per cent. of their nominal amount, together in each case with accrued interest to (but excluding), such **Non-Registration Event Redemption Date**. To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and (in the case of Fixed Rate Notes other than Dual Currency Notes of Index-Linked Notes) Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificates representing such Note(s) with the Registrar or any Transfer Agent at its specified office together with a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent, Transfer Agent or the Registrar (as applicable) (a "**Non-Registration Event Put Exercise Notice**") by not later than 30 days following the occurrence of a Non-Registration Event or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Non-Registration Event Redemption Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Non-Registration Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Non-Registration Event Put Exercise Notice delivered as aforesaid on the Non-Registration Event Redemption Date.

The Issuer shall give notice to Noteholders in accordance with Condition 16 and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Non-Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(g).

In this Condition 6(g):

a "**Non-Registration Event**" occurs when any of the SAFE Registration Documents have not been received by the Trustee on or prior to the Registration Deadline.

(h) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(i) **Purchases:** The Issuer, CSIF Holding, the Company and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer, CSIF Holding, the Company or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for certain purposes, including for the purpose of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11(a) and 12.

(j) **Cancellation:** All Notes purchased by or on behalf of the Issuer, CSIF Holding, the Company or any of their respective Subsidiaries may be held, reissued, resold or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, shall be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer, CSIF Holding and the Company in respect of any such Notes shall be discharged.

(k) **Trustee Reliance:** The Trustee shall be entitled to conclusively rely on or act in reliance on any certificate, notice or document received by it as contemplated in this Condition 6 as sufficient evidence of the facts and/or matters stated therein and shall not be liable to any Noteholder and/or Couponholder or any other person for so doing.

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

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

7 Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii) and Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank;

(ii) in the case of Renminbi, by transfer from the relevant Paying Agent's office outside the United States to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a), Condition 7(b) and Condition 7(c), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Bearer Notes, to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(c) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(c) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(c)(ii).

(ii) Interest (which for the purpose of this Condition 7(c) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(A) in the case of a currency other than Renminbi, in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Renminbi, by transfer to Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Registered Notes, to the person(s) for whose account(s) interests in the relevant Registered Note are credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

*So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (other than the CMU), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law, regulation or official guidance implementing an intergovernmental approach thereto but no commission or expenses shall be charged to the Noteholders, Receiptholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and the relevant Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the relevant Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder, Receiptholders or Couponholder. The Issuer and the relevant Guarantor reserve the right at any time with the prior written approval of the Trustee (where required in accordance with the Agency Agreement) to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer and the relevant Guarantor shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the relevant Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(b) above.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders in accordance with Condition 16.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in the location of the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the relevant Guarantor in respect of the Notes, the Receipts, the Coupons or under the relevant Guarantee, shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong, the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the relevant Guarantor by or within the PRC at the rate of up to and including the applicable tax rate as at the date on which agreement is reached to issue the first Tranche of Notes (the "**Applicable Rate**"), the Issuer or, as the case may be, the relevant Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Noteholders, Receiptholders or Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

(a) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Note, Receipt or Coupon; or

(b) presented (or in respect of which the Certificate representing it is presented) for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day; or

(c) with respect to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon that would not have been imposed but for the failure of the Noteholder, Receiptholder or Couponholder to comply with a timely request of the Issuer or the relevant Guarantor, addressed to the holder of such Note, Receipt or Coupon to provide certification or information concerning the nationality, residence or identity of the holder or beneficial owner of such Note, Receipt or Coupon, if compliance is required as a precondition to relief or exemption from such taxes, duties, assessments or governmental charges; or

(d) with respect to any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law, regulation or official guidance implementing an intergovernmental approach thereto.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

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

9 Prescription

Claims against the Issuer and/or the relevant Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall (subject as provided in Condition 7(f)(i)) be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 Events of Default

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (provided in any case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction in its sole discretion), give written notice to the Issuer and the relevant Guarantor declaring that the Notes are, and they shall immediately become, due and payable at (in the case of Zero Coupon Notes) their Early Redemption Amount or (in the case of Notes other than Zero Coupon Notes) their nominal amount together (if applicable) with accrued interest:

(a) **Non-Payment:** there is a failure to pay (i) the principal of any of the Notes when due; or (ii) any interest on any of the Notes within fourteen days after any Interest Payment Date; or

(b) **Breach of Other Obligations:** the Issuer, CSIF Holding or the Company does not perform or comply with any one or more of its other obligations in the Notes, the relevant Deed of Guarantee, the Keepwell Deed (in the case of the KW Notes only) or the Trust Deed (other than where it gives rise to a right of redemption pursuant to Condition 6(d)) which default is, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer and the Guarantor by the Trustee; or

(c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of their respective Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of their respective Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$50 million or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(c) operates); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries over all or a material part of the assets of the Issuer, CSIF Holding (in case of the KW Notes only), the Company or the Principal Subsidiaries, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and such action is not discharged within 45 days after the date thereof; or

(f) **Insolvency:** the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the debts of the Issuer, CSIF Holding (in case of the KW Notes only), the Company, or any of the Principal Subsidiaries, as the case may be; or

(g) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries, or the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (A) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a solvent winding-up of any Principal Subsidiary other than the Issuer, whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Issuer, CSIF Holding, the Company or any of its Subsidiaries; or (iii) a disposal of a Principal Subsidiary on an arm's length basis; or

(h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, CSIF Holding (in case of the KW Notes only), the Company or any of the Principal Subsidiaries; or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, CSIF Holding and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the relevant Deed of Guarantee, the Trust Deed and the Keepwell Deed (in the case of the KW Notes only), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the relevant Deed of Guarantee, the Coupons, the Register, the Receipts and the Trust Deed, the Keepwell Deed (in the case of the KW Notes only) admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality:** it is or will become unlawful for any of the Issuer, CSIF Holding, the Company to perform or comply with any one or more of their respective obligations under any of the Notes, the relevant Deed of Guarantee, the Coupons, the Receipts, the Trust Deed or the Keepwell Deed (in the case of the KW Notes only); or

(k) **Unenforceability of Guarantee:** except as permitted under the Trust Deed, any part of the relevant Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the relevant Guarantor; or

(l) **Unenforceability of Keepwell Deed:** In the case of KW Notes only, except as permitted under the Trust Deed, the Keepwell Deed is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Company; or

(m) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in this Condition 10.

"**Principal Subsidiary**" means Subsidiaries of CSIF Holding (in case of the KW Notes only) or the Company:

(a) whose total operating income or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total operating income, as shown by its latest audited income statement are at least five per cent. of the consolidated total operating income as shown by the latest published audited consolidated income statement of CSIF Holding or the Company, as the case may be, and their respective Subsidiaries including, for the avoidance of doubt, CSIF Holding or the Company (as the case may be) and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose net profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of CSIF Holding or the Guarantor, as the case may be, and their respective Subsidiaries including, for the avoidance of doubt, CSIF Holding or the Company (as the case may be) and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of CSIF Holding or the Guarantor, as the case may be, and their respective Subsidiaries as shown by the latest published audited consolidated balance sheet of CSIF Holding or the Guarantor, as the case may be, and their respective Subsidiaries including, for the avoidance of doubt, the investment of CSIF Holding or the Company (as the case may be) in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of CSIF Holding or the Company, as the case may be, and after adjustments for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of CSIF Holding or the Company (as the case may be) prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

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

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

(ii) if at any relevant time in relation to CSIF Holding or the Company, as the case may be, or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, total operating income, net profit or total assets of CSIF Holding or the Company, as the case may be, and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by CSIF Holding or the Company, as the case may be;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total operating income, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by CSIF Holding or the Company, as the case may be; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of CSIF Holding or the Company, as the case may be, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of CSIF Holding or the Company, as the case may be.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the total revenue and other income, net profit (or consolidated net profit if the Subsidiary itself has Subsidiaries) or total assets (or consolidated total assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the total revenue and other income, net profit (or consolidated net profit if appropriate) or total assets (or consolidated total assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 10 has occurred since the relevant Issue Date, exceeds five per cent. of the consolidated total revenue and other income, consolidated net profit or consolidated total assets of the Guarantor and its Subsidiaries.

11 Meetings of Noteholders, Modification, Waiver and Substitution

(a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the relevant Deed of Guarantee, the Agency Agreement and the Keepwell Deed (in the case of the KW Notes only). Such a meeting may be convened by the Issuer, the relevant Guarantor or the Trustee and shall be convened by the Trustee if requested to do so by Noteholders holding not less than 10 per cent. in aggregate nominal amount of the Notes for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any Redemption Amount in respect of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to modify or cancel the relevant Guarantee or the Keepwell Deed (in the case of the KW Notes only) otherwise than in accordance with Condition 11(b), in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds or at any adjourned meeting not less than one-quarter in aggregate nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution (x) in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate nominal amount of the Notes for the time being outstanding, or (y) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agreements and Deeds:** The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the relevant Deed of Guarantee, the Agency Agreement or the Keepwell Deed (in the case of the KW Notes only) that, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the relevant Deed of Guarantee, the Agency Agreement and the Keepwell Deed (in the case of the KW Notes only) that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable thereafter. In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(b)(iii)(E) without the consent of the Noteholders, Receiptholders or Couponholders.

(c) **Substitution:** The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, Receiptholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary (as defined in the Trust Deed) of the Issuer or its successor in business or of CSIF Holding or its successor in business or any Subsidiary of CSIF Holding or its successor in business or of the Company or its successor in business or any Subsidiary of the Company or its successor in business in place of the Issuer, CSIF Holding or the Company, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed, the Notes and the relevant Deed of Guarantee (as the case may be).

(d) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders, and the Trustee shall not be entitled to require on behalf of any Noteholder, Receiptholder or Couponholder, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, CSIF Holding or the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12 Enforcement

At any time after the Notes become due and payable, the Trustee may (but shall not be obliged to), at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer, CSIF Holding (in case of the KW Notes only) or the Company as it may think fit to enforce the terms of the Trust Deed, the relevant Deed of Guarantee, the Keepwell Deed (in the case of the KW Notes only), the Notes, the Receipts and the Coupons, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate nominal amount of the Notes then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder and/or Couponholder may proceed directly against the Issuer, CSIF Holding (in case of the KW Notes only) or the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13 Indemnification of the Trustee

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, CSIF Holding, the Company and any other person appointed by the Issuer, CSIF Holding and/or the Company in relation to the Notes of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer, CSIF Holding or the Company to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Noteholder, Receiptholder or Couponholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Noteholders. The Trustee shall be entitled to rely on any direction, request or resolution of Noteholders given by holders of the requisite nominal amount of Notes outstanding or passed at a meeting of Noteholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the relevant Deed of Guarantee, these Conditions or the Keepwell Deed (in the case of the KW Notes only) to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Noteholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee and the Agents shall not be under any obligation to ascertain whether any Event of Default, Default or Potential Event of Default (as defined in the Trust Deed), as the case may be, has occurred or may occur or to monitor compliance with the provisions of the Trust Deed, the relevant Deed of Guarantee, the Keepwell Deed (in the case of the KW Notes only), the Agency Agreement or these Conditions.

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

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

14 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is mutilated or defaced or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer, the Issuing and Paying Agent and/or the Registrar in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer or the relevant Agent may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest on them, the timing for submission of the NDRC Post-Issue Filing (if applicable) and the timing for completion of the Cross-border Security Registration) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15.

16 Notices

Notices required to be given to the holders of Registered Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on a stock exchange and the rules of that exchange so require, published at the Issuer's expense in a leading newspaper having general circulation in Asia (which is expected to be the Wall Street Journal Asia) and/or in such manner which complies with the rules and regulations of that stock exchange or such relevant authority. Notices required to be given to the holders of Bearer Notes pursuant to these Conditions shall be valid if published in a daily newspaper of general circulation in Asia (which is expected to be the Wall Street Journal Asia). If any such publication is not practicable, notices required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 16.

So long as any Global Note or Global Certificate is held in its entirely on behalf of Euroclear and Clearstream or deposited with a subcustodian for and registered in the name of the Hong Kong Monetary Authority as operator of the CMU, any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or as the case may be, the CMU, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Currency Indemnity

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

18 Contracts (Rights of Third Parties) Act 1999

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

19 Governing Law and Jurisdiction

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

(b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, Receipts, Coupons or Talons, the Agency Agreement, the relevant Deed of Guarantee, the Keepwell Deed (in the case of the KW Notes only) and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons, the Agency Agreement, the relevant Deed of Guarantee, the Keepwell Deed (in the case of the KW Notes only) or the Trust Deed ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, CSIF Holding, the Company and the Trustee has irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process:** Each of the Issuer and the Company has irrevocably agreed to receive service of process at the Company's place of business in Hong Kong from time to time, currently at 18/F, Two Exchange Square, Central, Hong Kong in any Proceedings in Hong Kong.

(d) **Independence and Waiver of Immunity:**

(i) The Company is a separate legal and independent entity organised under the Company Law of the PRC and is an enterprise undertaking commercial activities independent from the PRC government with ownership of its assets and the capacity independently to assume civil liabilities.

(ii) Each of the Issuer, CSIF Holding and the Company has under the Trust Deed waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

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

INITIAL ISSUE OF NOTES

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Upon the initial deposit of a Global Note or a Global Certificate with the Common Depositary or with a sub-custodian for the HKMA as operator of the CMU or registration of Registered Notes in the name of (i) any nominee of the Common Depositary for Euroclear and Clearstream or (ii) the HKMA and delivery of the relevant Global Note or Global Certificate to the Common Depositary or the sub-custodian for the HKMA as operator of the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a Temporary Global Note issued pursuant to TEFRA D will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. The payments in respect of a Note issued under TEFRA D pursuant to Conditions 6(d) and 6(f) may not be collected without certificate as to non-U.S. beneficial ownership.

In respect of a Note issued under TEFRA D, for the purpose of dealing in Euroclear or Clearstream or the CMU, any further issue of Notes by the Issuer pursuant to Condition 15 may not be consolidated and form a single series with the outstanding securities of any series (including the Notes) until the exchange of interests in a Temporary Global Note for interests in a Permanent Global Note upon the relevant Certification.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided in the paragraph titled "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregate nominal amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfer of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

In the event that a Global Certificate is exchanged for a definitive Certificate, such definitive Certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an aggregated nominal amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal, interests and Instalment Amounts in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Terms and Conditions of the Notes (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon).

Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to the Terms and Conditions of the Notes

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any Temporary Global Note issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(vi) of the Terms and Conditions of the Notes will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation (if applicable) shall be disregarded in the definition of "**business day**" set out in Condition 7(h) of the Terms and Conditions of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 of the Terms and Conditions of the Notes).

Meetings

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Terms and Conditions of the Notes to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by reduction in the aggregate nominal amount of the Certificates in the Register, whereupon the nominal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

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

Issuer's Option

Any option of early redemption of the Issuer provided for in the Terms and Conditions of the Notes of any Notes while such Notes are represented by a Permanent Global Note or by a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Terms and Conditions of the Notes, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or Alternative Clearing System (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Terms and Conditions of any Notes, while such Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of a clearing system, may be exercised by (i) the holder giving notice to the Issuing and Paying Agents (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits in respect of which the option is exercised and presenting the Global Note or Global Certificate for endorsement or exercise (if required) or (ii) a holder of a book-entry interest in the Notes represented by the Global Note or Global Certificate delivering to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) the relevant exercise notice, duly completed by or on behalf of such holder (on appropriate proof of its identity and interest), in each case within the time limits specified in the Terms and Conditions of the Notes and otherwise in accordance with the rules and procedures of the relevant clearing system. In the case of (ii) above, deposit of the Global Note or Global Certificate with the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) together with such exercise notice shall not be required.

Trustee's Powers

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

Notices

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

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a Permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed, which will only be applicable to the KW Notes. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed entered into between the Issuer, CSIF Holding, the Company and the Trustee, the Company undertakes with the Issuer, CSIF Holding and the Trustee that:

- For so long as any KW Note or Receipt or Coupon relating to a KW Note remains outstanding, (a) it shall directly or indirectly own and hold all the outstanding ordinary shares of the Issuer having the right to vote for election of members of the board of directors of the Issuer and (b) it will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which may not be successfully challenged; and

- The Company acknowledges that as of the date of Keepwell Deed it directly holds all the outstanding ordinary shares of CSIF Holding having the right to vote for election of members of the board of directors of CSIF Holding. For so long as any KW Note or Receipt or Coupon relating to a KW Note remains outstanding, (a) it shall directly or indirectly continue to own and hold all the outstanding ordinary shares of CSIF Holding having the right to vote for election of members of the board of directors of CSIF Holding and (b) it will not, directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such ordinary shares of CSIF Holding, unless required to dispose of any or all such shares pursuant to any applicable law or regulation or a court decree, a verdict of the court of final appeal, or order of any government authority which may not be successfully challenged.

In addition, for as long as any KW Note or Receipt or Coupon relating to a KW Note remains outstanding, the Company undertakes that it shall cause:

- CSIF Holding to have a Consolidated Net Worth of at least HKD1.00 at all times;

- each of the Issuer and CSIF Holding to have sufficient liquidity to ensure timely payment by each of the Issuer and CSIF Holding of any amounts due and payable under or in respect of any of its indebtedness (including in respect of the KW Notes and the CSIF Holding Guarantee in accordance with the Trust Deed and the Conditions and payments due under the Trust Deed and the Agency Agreement); and

- each of the Issuer and CSIF Holding to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.

If the Issuer or CSIF Holding (as the case may be) at any time determines that it will have insufficient liquidity to meet its payment obligations in respect of the KW Notes and Receipts and Coupons relating to such KW Notes (if applicable), the CSIF Holding Guarantee, or the Trust Deed with respect to the KW Notes as and when they fall due, it shall promptly notify the Company the shortfall and the Company will cause the Issuer or CSIF Holding (as the case may be) to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or CSIF Holding (as the case may be) to pay such payment obligations in full as and when they fall due, provided, however, that the Company shall not in any event be required to perform any part of the payment obligations in lieu of the Issuer and/or CSIF Holding under the KW Notes or the Trust Deed with respect to the KW Notes. Each of the Issuer and CSIF Holding shall use any funds it obtains in accordance with the Keepwell Deed solely for the payment, when due, of such payment obligations under the KW Notes and Receipts and Coupons relating to such KW Notes (if applicable), the CSIF Holding Guarantee or the Trust Deed (as the case may be).

The Company further undertakes for so long as any KW Note or related Coupon remains outstanding:

- not to amend or agree to any amendment (without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders) to the articles of association or any other similar constitutive document of each of the Issuer and CSIF Holding in a manner that will (i) have an adverse effect on the ability of the Issuer and/or CSIF Holding to perform their respective obligations under the KW Notes or related Coupons, the Trust Deed or the Keepwell Deed or (ii) in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders or Couponholders of the KW Notes;

- to cause the Issuer to remain in full compliance with the Conditions, the Trust Deed and all applicable rules and regulations in the British Virgin Islands;

- to cause CSIF Holding to remain in full compliance with the Conditions, the Trust Deed, the CSIF Holding Guarantee and all applicable rules and regulations in Hong Kong;

- to cause the Issuer either to use the proceeds of the issue of the KW Notes and/or the related Coupons (the "**Proceeds of the KW Notes**") itself or to lend the Proceeds of the KW Notes only to CSIF Holding or as it may direct, and to cause such recipient of the Proceeds of the KW Notes to pay the interest and principal in respect of such intercompany loan on time;

- to cause CSIF Holding to remain the primary overseas platform of the Company for investment and offshore financing;

- to procure that the Issuer will not (without the prior written approval of the Trustee acting pursuant to an Extraordinary Resolution of the Noteholders) carry on any business activity whatsoever other than in connection with the Programme and the Notes and the Coupons (which activities shall, for the avoidance of doubt, include (A) the establishment and maintenance of the Programme, (B) the offering, sale or issuance of the Notes and Coupons under the Programme, (C) the incurrence of relevant indebtedness represented by the Notes and Coupons issued under the Terms and Conditions of the Bonds, (D) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence and (E) the on-lending of the Proceeds of the Notes to CSIF Holding or as it may direct);

- promptly to do all such things and take any and all such actions necessary to comply with the Company's obligations under the Keepwell Deed; and

- to cause each of the Issuer and CSIF Holding to do all such things and take any and all such actions necessary in a timely manner to comply with its obligations under the Keepwell Deed.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be, deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by, or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or CSIF Holding under the laws of any jurisdiction, including the PRC.

For the purpose of the Keepwell Deed, (a) a certificate signed by an Authorised Signatory of the Company stating that the Company has used all reasonable endeavours to obtain all requisite Regulatory Approvals under the Keepwell Deed but that having used such endeavours, it has not been able to obtain all or some of the Regulatory Approvals required and setting forth a statement of facts showing such endeavours, together with any evidence or records of communication, filings and/or submissions supporting such endeavours, and (b) an opinion of a nationally recognised law firm of good repute in the PRC, addressed to and in form and substance satisfactory to the Trustee, stating the Regulatory Approvals under the Keepwell Deed and, where applicable, setting out the legal analysis as to why these cannot be obtained or are not reasonably achievable under the applicable PRC laws and regulations, shall be prima facie evidence of the fact that the Company has used all reasonable endeavours to obtain such Regulatory Approvals as required under the Keepwell Deed, and the Trustee shall not be obligated to call for further evidence and shall be satisfied that the Company has used all reasonable endeavours to obtain all Regulatory Approvals as required under the Keepwell Deed. Upon the delivering of such certificate and opinion of the PRC counsel by the Company to the Trustee, the Company shall no longer be required to comply with its obligations under the Keepwell Deed for which the Regulatory Approvals, which it has used all reasonable endeavours to obtain, cannot be obtained. The Trustee will not be responsible or liable to the Holders, the Issuer, CSIF Holding, the Company or any other person for any loss occasioned by acting on or relying on or declining to act further to such a certificate or opinion

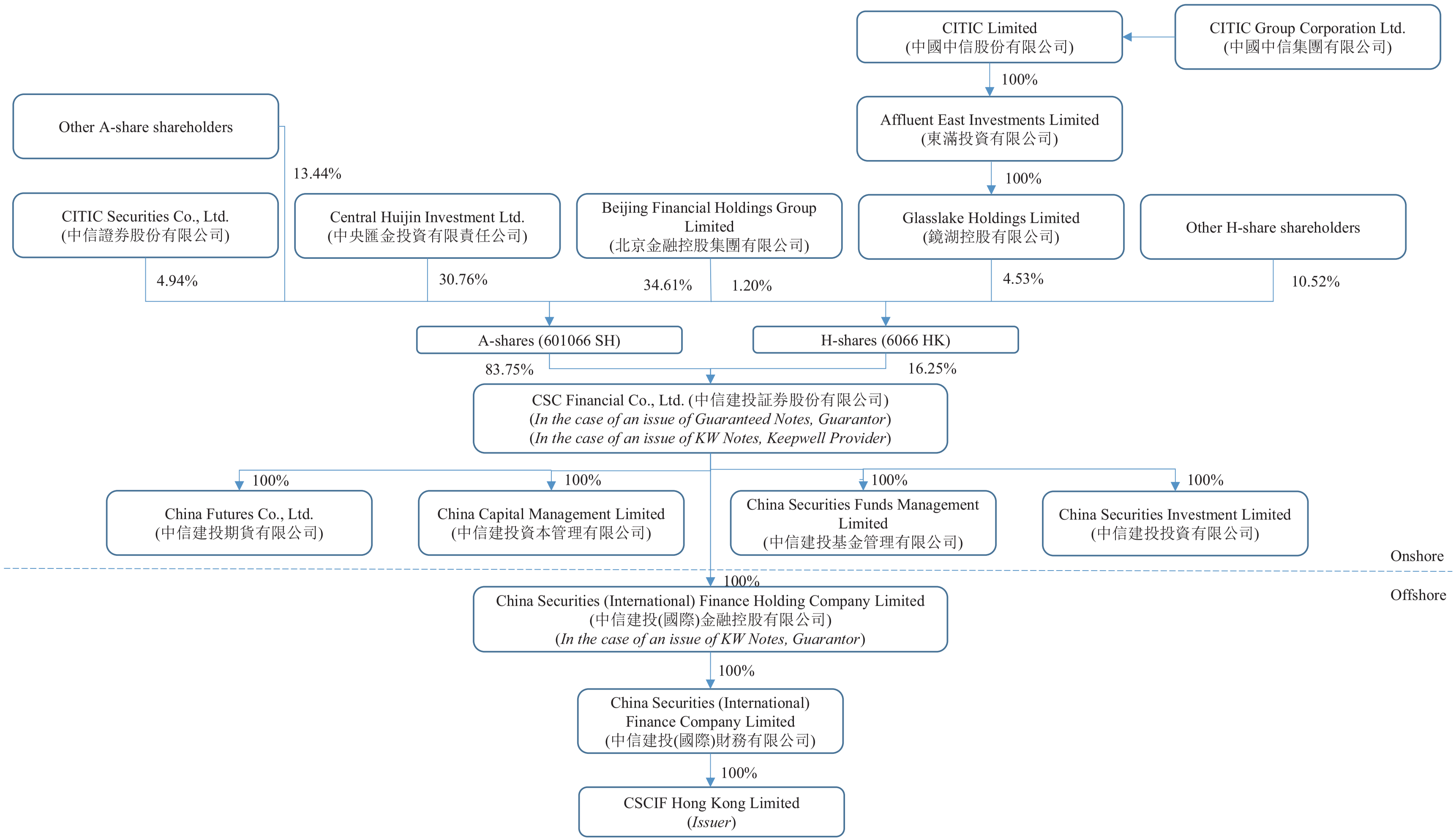
The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be, deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee or any similar legally binding obligation of the Company of the payment of any obligation, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction. See "*Risk Factors – Risk Relating to the Keepwell Deed – The Keepwell Deed is not a guarantee of the payment obligations under the KW Notes and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company*".

It is acknowledged that in order for the Company to comply with and perform its obligations under the Keepwell Deed, such compliance and performance may be subject to obtaining all requisite Regulatory Approvals of the PRC.

The Keepwell Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed.

CORPORATE STRUCTURE

The following chart sets forth the corporation structure of our corporate structure as at 31 December 2023.



DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer was incorporated as a BVI business company with limited liability on 7 July 2015 in the British Virgin Islands under the BVI Business Companies Act (As Revised). Its registered office is located at Luna Tower, Waterfront Drive, Road Town, Tortola, VG1110, British Virgin Islands, and its registration number is 1881683. The Issuer is wholly owned by the Company.

BUSINESS ACTIVITY

Under the Issuer's memorandum and articles of association, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law for the time being in force in the British Virgin Islands. However, so long as the Notes are outstanding, the Issuer will limit its permitted activities as described under "Terms and Conditions of the Notes." The Issuer's primary purpose is to act as one of the Group's financing subsidiaries to issue and hold the Notes. The Issuer has no material business nor assets and does not have any employees. In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue further bonds and engage in other business activities related to us and may incur substantial liabilities and indebtedness.

DIRECTORS

The sole director of the Issuer is Ms. Xue Lan. The sole director of the Issuer does not hold any shares or options to acquire shares of the Issuer.

SHARE CAPITAL

The Issuer is authorised to issue a maximum of 50,000 shares of US$1.00 par value each of a single class and series, 100 of which have been issued and is fully paid. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

FINANCIAL INFORMATION

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the authorisation, execution and issue of the Notes, and the documents and matters referred to or contemplated in this Offering Circular to which the Issuer is or will be a party and matters which are incidental or ancillary to the foregoing.

As at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

There are no other outstanding loans or subscriptions, allotments or options in respect of the Issuer.

The financial year of the Issuer runs from 1 January to 31 December. There has been no material change in the activities of the Issuer since its incorporation. The Issuer has not prepared any financial statements since its incorporation.

DESCRIPTION OF THE GROUP

OVERVIEW

We are a leading large full-service investment bank in the PRC with superior value creation capabilities. We have a strong client base, a premier investment banking brand, a balanced business structure, and a robust and prudent risk management system. We adhere to the core value of "achievements leading to status", as well as the concepts of "risk management as priority" and "healthy development" to strive for better service for existing customers and realise mutual growth with the enterprise. In the meantime, we penetrated the local market and moved towards the international market to explore potential quality customers. We aim at taking advantage of our investment banking business as the starting point to steadily develop innovative business, becoming a large best-in-class full-service investment bank based in the PRC with a global vision leveraging the development trends in the PRC and global capital market.

As at 31 December 2023, we had a total of 40 securities branches and 278 securities business departments. As at 31 December 2023, the Company has five first-tier wholly owned subsidiaries, namely China Securities Futures, China Securities Capital, China Securities International, which is incorporated in Hong Kong, China Securities Fund and China Securities Investment Limited.

Our four business segments are investment banking, wealth management, trading and institutional client services and asset management. Our diversified service and product offerings enable us to achieve synergies across different business lines. With the strong support of our shareholders and our professional management team, we engage in proprietary trading to enhance our financial performance. Through the efforts of our visionary leadership team and our high-calibre employees, we have experienced substantial growth over the years and achieved industry-leading positions in many of our business segments. The table below sets out the detailed components of each business segment.

Investment banking business	**Wealth management business**	**Trading and institutional client services business**	**Asset management business**
Equity financing business	Brokerage and wealth management business	Stock sales and trading business	Asset management business of the securities company
Debt financing business	Margin financing and securities lending business	Fixed-income products sales and trading business	Fund management business
Financial advisor business	Repurchase business	Investment and research business	Private equity investment business
		Prime brokerage business	
		QFI business and WFOE businesses	
		Alternative investment businesses	

Our total assets increased by 12.6% from RMB452,791.4 million as at 31 December 2021 to RMB509,955.5 million (before restatements) as at 31 December 2022, or by 12.5% from RMB452,791.4 million as at 31 December 2021 to RMB509,206.0 million (after restatements) as at 31 December 2022, and further increased to RMB522,752.2 million (US$73,628.1 million) as at 31 December 2023. Our total revenue and other income decreased by 6.6% from RMB39,033.0 million as at 31 December 2021 to RMB36,470.8 million (before and after restatements) as at 31 December 2022, and decreased by 6.8% to RMB33,979.4 million (US$4,785.9 million) as at 31 December 2023. See "*Risk Factors – Risks Relating to The Group's Business and Industry – Our historical financial information may not be directly comparable and we may face risks related to changes in accounting standards*".

HISTORY AND DEVELOPMENT

The following table sets forth the key development milestones in our history:

2005	In November, our predecessor, China Securities Finance Limited (中信建投証券有限責任公司) was established. China Securities Finance Limited acquired all securities business and related assets originally owned by Huaxia Securities and then operated as a comprehensive securities firm.
2007	In July, China Securities Futures became our wholly owned subsidiary and commenced its futures and related business.
2008	In September, we were qualified as an inquirer for IPO.
	In September, we were qualified for the national interbank funding.
2009	In April, we were qualified for the provision of intermediary introduction business to futures companies.
	In June, we were qualified to carry out asset management business.
	In July, China Securities Capital was established and commenced direct equity investment and related business.
2010	In July, we were rated "Class A Grade AA" for the first time under the classification base on securities firms of the CSRC, and maintained the same rating for several subsequent year.
	In November, we were qualified for and commenced the margin financing and securities lending businesses upon the approval of the CSRC.
2011	In September, China Securities Finance Limited was converted into a joint-stock company and renamed China Securities Finance Co., Ltd.
2012	In July, China Securities International was established to tap into overseas business.
	In August, we became one of the first 11 pilot securities firms to provide refinancing business.
	In September, we were qualified to carry out the contractual repurchase transaction business.
	In June and November, we were qualified for the piloting of the provision of agency service for registration of pledge of securities by CSDC Shanghai branch and CSDC Shenzhen Branch, respectively.
	In November, we were qualified to act as lead underwriter for debt financing instruments of non-financial institutions.
	In December, we were qualified to carry out OTC trading business.
	In December, we were qualified to carry out agency sales of financial products.

2013	In September, China Securities Funds was established and commenced fund management and related business. In September, we became one of the first ten securities firms which were rated Grade A (highest rating in the PRC securities industry) after the implementation of the Implementation Plan for Bifurcated Review of M&A and Restructuring (《併購重組審核分道制實施方案》) by the CSRC. In October, we were qualified to carry out agency services business for precious metal spot contracts and proprietary business for spot gold contracts. Together with all listed PRC securities firms, we were the first securities firm qualified to conduct such business.
2014	In September, we were qualified for the piloting of Internet securities business. In October, China Securities International was approved by the PBOC to enter the interbank bond market. In October, we were approved to carry out sales of CRMW instruments.
2015	In January, we became the first securities firm in the PRC to issue perpetual subordinated bonds. In January, we were qualified as one of the first batch of participants for stock options trading at the Shanghai Stock Exchange and were conferred with brokerage authority for stock option and proprietary trading. In January, we were qualified to carry out options settlement business. In January, we were qualified to carry out stock options market making business. In February, we were qualified to carry out custody of security investment funds. In April, we were qualified as a Qualified Domestic Institutional Investor (QDII). In June, we were qualified as an institution providing private fund business outsourcing. In June, we obtained qualification from the PBOC to carry out physical precious metals business. In September, we were qualified to carry out interbank gold inquiry business.
2016	On 9 December 2016, we were 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 30 December 2016, we exercised the over-allotment option partially and issued additional H Shares at an issue price of HKD6.81 per share.
2017	We established China Securities Investment and commenced alternative investment business.

2018	On 20 June 2018, we were listed on the main board of the SSE, with an IPO of 400,000,000 A Shares (stock code: 601066.SH) at an issue price of RMB5.42 per share. In December 2018, we became the first company to create the CRMW to support private companies in bond financing. We established an institutional business committee to guide and vigorously develop our institutional client business.
2020	We obtained the license to conduct the foreign exchange settlement and purchase business. We became one of the first seven securities companies with the qualification to carry out pilot fund investment advisory business. In March 2020, we became one of the first six securities companies to be included in the consolidated supervision pilot program approved by CSRC. In March 2020, we obtained CSRC approval for private placement A-share offering to raise up to RMB13 billion. In December 2020, we completed the issuance of a total of 110,309,559 new A Shares in a non-public issuance at RMB35.21 per share.
2021	In August 2021, we have been issued a long-term issuer credit rating of "BBB+" with stable outlook by S&P. We became the first domestic securities company to obtain the highest credit ratings from three authoritative international rating agencies, namely Moody's, Fitch and S&P at the same time. In October 2021, MSCI Inc., the world's largest index company, officially announced the results of our annual ESG (Environmental, Social and Governance) rating. Our ESG rating was raised to "BBB" for the first time, making it one of the top-rated securities companies in China. In November 2021, we were granted a national invention patent – Intelligent Customer Service Dialogue Method and Device For Human-Machine Collaboration. In November 2021, in the first batch of 81 companies listed on the Beijing Stock Exchange, we sponsored 12 companies, ranking No. 1 in the PRC securities industry, and achieved the "three consecutive championships" in terms of the number of listings as a sponsor in the registration system of the STAR Market, GEM, and among the first batch of enterprises listed on the Beijing Stock Exchange.
2022	In February 2022, China Securities Funds completed the industrial and commercial registration of the equity transfer. As at the date of this Offering Circular, the Company has changed its shareholding in China Securities Funds from 75% to 100% and China Securities Funds became wholly-owned subsidiary of the Company. In May 2022, the CSRC issued an announcement to end its management of New Times Securities Co., Ltd. and we successfully completed our custody of New Times Securities Co., Ltd.

2023 . . . . 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.

COMPETITIVE STRENGTHS

As a rapidly developing national comprehensive securities company with strong business competitiveness, we believe the following strengths have contributed to our success and differentiated us from our competitors.

Our extraordinary position and prestigious reputation

We were rated by the CSRC as one of the "Class A Grade AA" in the past several years, with such a rating being the highest rank granted by the CSRC to securities companies. In addition, China Securities Futures continued to be rated a "Class A Grade AA Futures Company" under the classification base on futures firms announced in 2021. In 2023, in recognition of our performance in the field of sustainable development, our MSCI ESG rating was upgraded to A level, positioning us at the forefront among domestic securities firms. We have rapidly developed into a leading large full-service investment banks with four major business segments: (i) investment banking, (ii) wealth management, (iii) trading and institutional client services, and (iv) asset management.

- Investment banking: In 2023, we completed issuance of 67 equity financing projects, among which 33 IPO projects raised funds amounting to RMB40.8 billion and 34 equity refinancing projects raised funds amounting to RMB54.0 billion. The number of equity financing projects underwritten by us as a lead underwriter and the amount both ranked No. 2 in the PRC securities industry, among which the number of IPO projects underwritten by us as a lead underwriter and the amount ranked No. 2 and No. 3 in the PRC securities industry, respectively. In 2023, we completed 3,280 debt financing lead underwriting projects and the lead underwriting scale was RMB1,545.7 billion, ranking No. 2 in the PRC securities industry. The number of corporate bonds underwritten by us as a lead underwriter and total amount have ranked No. 1 and No. 2 in the PRC securities industry in 2023, respectively.

- Wealth management: In 2023, we actively integrated our resources, built an integrated client services platform and ecological chain to develop businesses, and continuously adhered to the customer-oriented principle 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. We strengthened our customer development and product layout in the field of wealth management and achieved an increase in customer scale and product revenue. As at 31 December 2023, our securities brokerage business had newly developed 1,217.6 thousand customers, with a cumulative of 13,373.2 thousand customers in the aggregate.

- Trading and institutional client services: In 2023, we strengthened risk control for our stock trading business and further expanded the types of investment transactions and the scope of market-making services for our derivatives trading business by providing liquidity and market-making services for stocks, funds, options, futures and other products in the exchanges. In 2023, we completed 67 stock sale projects as a lead underwriter with a cumulative sales amount of RMB94.8 billion.

- Asset management: The scale of our entrusted asset management as at 31 December 2023 reached RMB469.4 billion, among which the scale of the collective management products as at 31 December 2023 was RMB120.7 billion, the targeted asset management business as at 31 December 2023 was RMB160.4 billion and the specialized asset management business as at 31 December 2023 was RMB188.2 billion. As at 31 December 2023, the asset management scale of China Securities Funds was RMB93.8 billion.

We have attained a privileged position in conducting innovative business pilot programs. In March 2020, we became one of the first six securities companies to be included in the consolidated supervision pilot program approved by CSRC. We are also among one of the first seven securities companies with the qualification to carry out pilot fund investment advisory business. In November 2021, we became one of the first 12 securities companies with the qualification of pilot business for optimizing account management function of securities companies. In September 2022, we became one of the first eight securities companies with the qualification for market-making business of listed securities. In 2023, we became one of the first securities firms to obtain qualification for proprietary participation in the carbon emissions trading business, acquiring qualifications from both the Guangzhou Carbon Emission Trading Center and the Hubei Carbon Emission Exchange. Additionally, we obtained membership at the Shanghai Environment and Energy Exchange in 2023, and completed the first batch of carbon market repurchase transactions there in 2024.

We have received a number of industry recognitions and awards, including but not limited to the following:

- 2023 Excellent Investor Education Base by CSRC;
- 2023 Excellent Project Report on Key Project Research by Securities Association of China;
- 2022 Enterprise Standard Forerunner by Securities Association of China China Futures Association Asset Management Association of China;
- 2023 Excellent SSE Investor Education Member, Bond Market Comprehensive Service Award and Excellent Consultation and Support Unit for Comprehensive Service of Central Enterprises by SSE;
- 2023 Excellent SZSE Investor Education Member by SZSE;
- 2023 Typical Case Selection for Exchange Bond Market Serving the Real Economy: Top 10 Cases by The Corporate Bonds Supervision Department of the CSRC, SSE and SZSE;
- 2023 Excellent Industrial Bond Underwriter, Excellent Underwriter Serving National Strategy and Excellent Manager for Asset Securitization Business by SSE;
- 2023 Excellent Corporate Bond Underwriters, Excellent Institution Underwriting Interest-Rate Bonds and Excellent Fixed-Income Innovative Product Intermediary by SZSE;
- 2022 Excellent Investor Education Base by CSRC;
- Grade A in the Evaluation on the Education of Investors in Securities Companies in 2022 by Securities Association of China, SSE, SZSE and National Equities Exchange and Quotations Co., Ltd.;
- Excellent Award for the 8th Securities and Futures Industry Science and Technology Awards (2022) by Securities and Futures Industry Science and Technology Award Committee of Securities Association of China;

- Excellent Corporate Bond Underwriter, Excellent Industrial Bond Underwriter, Excellent Private Enterprise Corporate Bond Underwriter, Excellent Underwriter Serving National Strategy, Excellent Manager for Asset Securitization Business, Excellent Bond Dealer and Excellent Bond Investment Institution (Proprietary) in 2022 by SSE;

- 2022 Excellent Funds Market Maker by SSE;

- Top 100 SSE Bond Market Trading Institutions and Top 10 SSE Bond Market Broker Proprietary Institutions in 2022 by SSE;

- Excellent Investor Education Base (2021) by CSRC;

- Top Ten Popular Investment Education Products among Investors (2021) by Investor Protection Bureau of CSRC;

- Outstanding Cross-market Bond Trading Institution, Outstanding Rate of Bond Underwriter, and Outstanding Fixed Income Business Innovation Institution Serving National Strategy (2021) by SZSE;

- Outstanding ETF Liquidity Service Provider (2021) by SZSE;

- Outstanding Bond Dealer, Outstanding Underwriter of Local Government Bonds, Outstanding Bond Investment Agency (proprietary trading), Excellent Underwriter of Corporate Bonds, Excellent Underwriter of Corporate Bond Innovative Product, Excellent Trustee, Excellent Manager for Asset Securitization Business (2020) by SSE;

- Outstanding Interest Rate Bond Undertaking Institution, Excellent Underwriter of Corporate Bonds, Excellent Private Enterprise Financing Supporting Institution, Excellent Asset-Backed Special Manager, Excellent Bond Investment Trading Institution (2020) by SZSE;

- Core Dealers, Outstanding Bond Market Dealers (2020) by National Interbank Funding Center; and

- Top Ten Golden Bull Securities Companies, 2020 Securities Company Social Responsibility Awards, 2020 Securities Industry Cultural Construction Awards, 2020 Golden Bull Asset Management Team (2020) by China Securities Journal.

Strong support from government and shareholders

We are a large securities firm under the Beijing Municipal Government. As part of Beijing's development plan of the financial industry for the 14th Five-Year period, we have received firm policy support in various aspects.

The strong support from our shareholders expands our customer base, strengthens our work relationships with the government, provides us with ample business opportunities, and further enhances our clients' confidence in our products and services. In 2020, in order to further strengthen Beijing's financial strategic development and to establish a financial holding platform of the capital city, Beijing SASAC optimized our shareholding structure and changed our shareholder from BSCOMC to Beijing Financial Holdings Group. Beijing Financial Holdings Group is wholly owned by BSCOMC. As our largest shareholder, Beijing Financial Holdings Group owned 35.81% of our equity interest and voting rights as at 31 December 2023. Beijing Financial Holdings Group was established on 19 October 2018. Beijing Financial Holdings Group focuses on financial equity investment and guarantees, capital operation and asset management, entrusted management of specialty funds, credit guarantees and re-guarantees, project investment, investment management, reorganization, merger and acquisition consulting and financial research, business data and credit and other financial information collection and management, industrial investment and other businesses related to our operation.

Backed by Beijing Municipal Government, we have remarkable advantages in business collaboration with SOEs and municipally owned enterprises in Beijing. As a Beijing-based capital market service provider with the local government as the largest shareholder, we have been exposed to multiple business opportunities fostered by the steady growth of Beijing's economy. For instance, we were the lead underwriter for the equity or debt offering by well-known Beijing municipally-owned enterprises, such as:

- Beijing Automotive Group Co., Ltd.: we acted as lead underwriter for its corporate bond issuance, sponsor and independent financial advisor on ST Qianfeng's split share reform and major asset restructuring for BAIC BJEU, and sponsor for non-public offering of BAIC Blue Valley New Energy Technology Co., Ltd., we acted as sole financial advisor on share issuance and asset purchase project and cash acquisition project for Bohai Automotive Systems Co., Ltd., and we also acted as sponsor on non-public offering of shares of Beiqi Foton Motor Co., Ltd.;

- Beijing Cuiwei Tower Co., Ltd.: we acted as sponsor and lead underwriter for its IPO, and independent financial advisor on its major asset restructuring and on raising supporting funds;

- Beijing Jingneng Power Co., Ltd.: we acted as independent financial advisor on its asset acquisition by issuing shares and on raising supporting funds, and lead underwriter for its corporate bonds issuance;

- Wangfujing Group Co., Ltd.: we acted as independent financial advisor on its restructuring, sponsor and lead underwriter for its two non-public offerings, and lead underwriter for its corporate bonds;

- Bank of Beijing: we acted as sponsor for its IPO, lead underwriter for its two non-public offerings, lead underwriter for its issuance of preferred shares, and lead underwriter for its issuance of financial bonds;

- Hua Xia Bank: we acted as lead underwriter and sponsor for its non-public offerings of shares and sponsor for its financial bonds issuance;

- Shougang Group Co., Ltd.: we acted as independent financial advisor on its restructuring, lead underwriter for its corporate bonds issuance, and lead underwriter for Shougang Fund's enterprise bonds;

- BOE Technology Group Co., Ltd.: we acted as sponsor and lead underwriter for its three non-public offerings, and lead underwriter for its corporate bonds;

- Beijing Urban Construction Group Co., Ltd.: we acted as lead underwriter for its medium-term notes issuance, sponsor and lead underwriter for its non-public offering, lead underwriter for its corporate bonds issuance and non-financial corporate debt financing instruments;

- Chinese Beijing Tong Ren Tang Group Co., Ltd.: we acted as sponsor and lead underwriter for its convertible corporate bonds issuance; and

- Beijing Construction Engineering Group Co., Ltd.: we acted as sponsor and lead underwriter for its IPO and share issuance to specific objects.

We also acted as lead underwriter for the debt capital market deals of the following clients: BBMG Group Co., Ltd., Beijing Enterprises Group Company Limited, Beijing Tourism Group Co., Ltd., Financial Street Holdings Co., Ltd., Beijing Capital Development Holding (Group) Co., Ltd., and

Beijing State-owned Assets Management Co., Ltd., Beijing Capital Tourism Group Co., Ltd., Beijing Capital Development Co., Ltd. and Beijing Urban Construction Group Co., Ltd., Beijing Capital Agribusiness & Foods Group Co., Ltd. and Beijing Rural Commercial Bank Co., Ltd.

Central Huijin, our second largest shareholder, owned 30.76% of our equity interest and voting rights as at 31 December 2023. Established in December 2003, Central Huijin is a state-owned investment company headquartered in Beijing. On behalf of the Chinese government, Central Huijin Investment Ltd. is authorised to exercise its shareholder rights and obligations on key state-owned financial enterprises. The principal shareholder rights of Central Huijin are exercised by the State Council. The members of the board of directors and supervisory committee of Central Huijin are appointed by, and are accountable to, the State Council. From 2019 to 2023, we were the lead underwriter for the government bond and medium-term notes issued by Central Huijin. We also provided asset securitisation and debt underwriting services to certain financial institutions under Central Huijin.

We collaborated with CITIC Group, one of our substantial shareholders, to co-develop our investment banking business, share the pool of strategic clients, and provide the high-quality services to our clients. Founded in 1979 and formerly known as China International Trust and Investment Corporation, CITIC Group is a large multinational conglomerate under the management of the Chinese government. In 2023, CITIC Group has been listed on the Fortune 500 list in the United States for the fifteen consecutive year, ranking 100th. The principal business lines of CITIC Group consist of investment holding, financial services, real estate and civil infrastructure, engineering contracting, energy and resources, manufacturing, information technology, and trade services. For example, we acted as a sponsor and lead underwriter of CITIC Press Group's initial public offering and provided bonds underwriting and other services to China CITIC Bank.

The stable and continuing equity ownerships of our two largest shareholders demonstrate their positive attitude and firm support to our operation and business prospects. Some of our senior executives come from our substantial shareholders, who are equipped with extensive industry expertise and strong executive capacities. Their exceptional experience and resources in the PRC securities industry will help deepen our competitive edge and lay the foundation of our business development.

Well-balanced business layout with outstanding advantages

We have developed a wide range of financial products and services offered under the CSC Financial brand, ranging from our investment banking business, wealth management business, trading and institutional client services, and asset management business. For the year ended 31 December 2023, our investment banking business, wealth management business, trading and institutional client services and asset management business accounted for 14.8%, 28.8%, 42.7% and 4.4% of our total revenue and other income, respectively.

Benefiting from the constantly improved revenue structure, our total assets and total revenue and other income increased steadily with significant growth potential. Our total assets increased from RMB453 billion as at 31 December 2021 to RMB523 billion as at 31 December 2023, at a CAGR of 7.5%. Our total revenue and other income decreased from RMB39 billion in 2021 to RMB34 billion in 2023.

By synergizing across different business lines, our well-balanced and fully integrated service chain drives the steady growth of our business:

- Investment banking business: We are an industry leader in terms of domestic equity and debt underwriting business. As a bellwether of the industry, we completed issuance of 67 equity financing projects, among which 33 IPO projects raised funds amounting to RMB40.8 billion and 34 equity refinancing projects raised funds amounting to RMB54.0 billion in 2023. The number of equity financing projects underwritten by us as a lead underwriter and the amount both ranked No. 2 in the PRC securities industry, among which the number of IPO projects underwritten by us as a lead underwriter and the amount ranked No. 2 and No. 3 in the PRC securities industry, respectively. In 2023, we completed 3,280 debt financing lead underwriting projects and the lead underwriting scale was RMB1,545.7 billion, ranking No. 2 in the PRC securities industry. The number of corporate bonds underwritten by us as a lead underwriter and the total amount have ranked No. 1 and No. 2 in the PRC securities industry in 2023, respectively.

- Wealth management business: We provide our retail clients with excellent wealth management services. We continued to strengthen the efforts in customer development, product sales and professional trading customer service by improving our construction of operation system, accelerating the pace of our technology empowerment, and continuously promoting the transformation of our wealth management. As at 31 December 2023, we had 317 branches for brokerage business (excluding Shanghai Free Trade Zone Branch), of which 57% were located in Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong. As at 31 December 2022, the balance of our margin financing and securities lending was RMB59.0 billion, with a market share of 3.6%.

- Trading and institutional client services: With respect to the equity sales and trading business, we accurately seized the opportunity in the structural market, and obtained better absolute returns. We provide clients with customized options and swaps products linked to various types of assets to meet the hedging and investment demands of institutional clients. We completed 67 stock sale projects as a lead underwriter in 2023, with a cumulative sales amount of RMB94.8 billion, including 33 IPO projects and 33 non-public share issuances. In 2023, with respect to the fixed income products sales and trading business, we continued to maintain the industry-leading position for the bond sales business and vigorously developed non-directional trading on the basis of leveraging on our traditional strengths in bond product business.

- Asset management business: We adhered to the "customer-oriented" philosophy to vigorously enhanced our active management capabilities by focusing on giving full play to the unique advantages of securities firms in asset management and comprehensively making arrangements for our product lines. We continued to create distinctive product spectrum, provide comprehensive product strategies and diversify our services to meet the needs of investors for different terms, strategies and risk preferences. The scale of our entrusted asset management as at 31 December 2023 reached RMB469.4 billion, among which the scale of the collective management products as at 31 December 2023 was RMB120.7 billion, the targeted asset management business as at 31 December 2023 was RMB160.4 billion and the specialized asset management business as at 31 December 2023 was RMB188.2 billion. As at 31 December 2023, the asset management scale of China Securities Funds was RMB93.8 billion.

Prudent and comprehensive risk control system and strong risk management capabilities

We have established a prudent and comprehensive risk control system and developed strong risk management capabilities. We have a sound four-tier risk management mechanism, and a three-line and two-layer risk management policy system to cope with potential risks at different levels, and have implemented corresponding risk management policies and monitoring systems covering all business lines. By utilising our independently developed risk control system and abundant risk measurement models developed by our professional quantitative analysis team, we conduct preventive control, and concurrent monitoring and corrective management on our risk exposures, including but not limited to market risk, credit risk, liquidity risk and operational risk.

Our risk control capabilities are industry-leading and highly recognised by the regulators. Our risk control and regulatory indicators, including risk coverage ratio, net stable funding ratio and net capital over net assets ratio, are ahead of our peer companies. As at 31 December 2023, our risk coverage ratio reached 162.2%, our net stable funding ratio reached 151.2%, and our net capital over net assets ratio reached 72.8%. Our full-coverage and robust risk management system enables us to be selected as one of the first six securities companies to participate in the consolidated supervision pilot program after two rounds of strict and comprehensive evaluation by CSRC. We endeavor to establish a comprehensive and robust risk management system covering all types of risks, business lines, subsidiaries and branches. We carry out various risk management policies with in-detail implementation plans, ranging from early-stage risk identification and routine project review, to risk indicator monitoring, risk response and disposal, and risk management evaluation. We have set up a multi-layer and all-dimensional risk control system for all business lines, including a full set of risk limits management mechanisms. We implement preventive, concurrent and corrective risk monitoring, which covers the entire process of all business lines with periodic evaluation. For each subsidiary, we establish a risk reporting system and assign risk management specialists to supervise the day-to-day implementation of the specific risk control requirements. For each branch, by way of vertical management, we delegate our risk functional departments to supervise the branch's business compliance and to be responsible for its risk management and control.

Stable and remarkable financial performance

We achieved an industry-leading profitability among large China-based securities companies in terms of return on average assets. In 2021, 2022 and 2023, our return on average assets[16] was 2.5%, 1.6% (before and after restatement) and 1.4% respectively, and our return on weighted average equity was 15.9%, 10.1% and 8.6%, respectively.

Our total revenue and other income decreased from RMB39,033 million in 2021 to RMB33,979 million in 2023, representing a CAGR of -6.7%. Our net profit decreased from RMB10,235 million in 2021 to RMB7,047 million in 2023, representing a CAGR of -17.0%. Our cost-to-income ratio[17] was 66.2%, 73.6% (before and after restatements) and 75.0% in 2021, 2022 and 2023, respectively. Our net profit margin[18] was 26.2%, 20.6% (before and after restatements) and 20.7% in 2021, 2022 and 2023, respectively.

Our total assets increased from RMB452,791 million as at 31 December 2021 to RMB522,752 million as at 31 December 2023, constituting a CAGR of 7.5%. Our net assets grew from RMB80,006 million as at 31 December 2021 to RMB97,526 million as at 31 December 2023, constituting a CAGR of 10.4%.

Diversified financing channels and comprehensive liquidity safeguard mechanism

We tapped both the domestic and overseas capital markets with diversified financing channels. In 2018, we completed the listing of our A shares, two years after our debut on the Hong Kong Stock Exchange in 2016. We initially obtained the AAA-level issuer credit rating in 2013, and have been issued a corporate family rating of "Baa1" by Moody's with stable outlook, a long-term foreign and local currency issuer default rating of "BBB+" by Fitch with stable outlook and a long-term issuer credit rating of "BBB+" by S&P with stable outlook.

Through establishing the shareholder rescue scheme, qualifying for obtaining the investor protection fund and entering into credit overdraft agreements with three major banks, including Bank of China, China Construction Bank and Industrial Bank Co., Ltd., we have set up a comprehensive liquidity safeguard mechanism. In December 2019, CSRC promulgated Provisions on the Administration of Liquidity Support by the Securities Investor Protection Fund, which established the investor

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16 Return on average assets is calculated by dividing net profit by the average balances of total assets at the beginning and the end of the year.

17 Cost-to-income ratio is calculated by dividing total expense (excluding taxes and surcharges) by the sum of total revenue and other income.

18 Net profit margin is calculated by dividing net profit for the year by total revenue and other income.

protection fund to provide liquidity support for securities companies. Our total credit lines from banks and other financial institutions provide sufficient unutilized credit lines. We have also entered into overdraft agreements with three large banks, including Bank of China, China Construction Bank and Industrial Bank Co., Ltd., which provide intraday overdrafts and overnight overdrafts for emergency liquidity needs.

We have diversified financing channels through multi-type debt financings, such as structured notes, short-term financing notes and subordinated bonds. We issued structure notes, short-term financing notes, placements from China Securities Finance Corporation Limited, subordinated bonds, perpetual subordinated bonds and financial bonds. Such diversified financing channels provide us with extra layers of protection against liquidity risks.

Visionary, professional and dedicated management team

Our visionary management team is the bedrock of our success. Members of the team possess in-depth knowledge and extensive industry experience in the securities and financial industries. Our Chairman, Mr. Wang Changqing, has been with us since our inception. Mr. Wang is currently the vice chairman of the SAC, the president of the Securities Association of Beijing, and a member of the fifth session of the board of directors of the SSE. Before joining us, he served as the administrative head and managing director of the investment banking business and vice chairman of the corporate finance committee in CITIC Securities Co., Ltd. from 1999 to 2005. He served as the head of equity underwriting department of the Beijing representative office of Daiwa Securities Group Inc. from 1993 to 1999.

Led by our Chairman, we have assembled a highly stable and professional management team with extensive industry expertise and strong executive capability. Most of our senior management have been with us since our inception, with an average over 25 years' experience in the securities industry. Many of them have worked with well-known financial institutions, such as CSRC, Central Huijin, Bank of China, ICBC and China Construction Bank. More than 60% of our mid-level and senior-level employees have more than 17 years' experience in the securities industry.

Our management and professional teams have been widely recognised in the PRC securities industry. Our management team has been awarded with Golden Management Team of Futures Companies in China by Securities Times, and Best Institution of the Year by SSE. Our investment advisory team has received the recognition of The Best Investment Advisory Team by New Fortune, and Junding Prize of China Securities Investment Advisory Team by Securities Times. Our investment bank team has been recognised as a Golden Bull Investment Bank Team, and our research team has been recognised as a Most Potential Research Team by China Securities Journal.

Our deeply rooted corporate culture is another key driver of our business development. We attach great importance to our pragmatic culture of "working hard to win a position" and our collaborative culture of "carrying an altruistic mind to achieve a win-win situation, and helping each other out to realise common prosperity." Our visionary management, seasoned professional teams and superior corporate culture have enabled us to distinguish ourselves from our competitors in the PRC securities industry.

BUSINESS STRATEGIES

To achieve our goal to become a large integrated securities company based in China with global vision and comprehensive advantages, we intend to pursue the following strategies:

- **Customer service:** We will stick to a client-oriented approach by relentlessly improving our customer service system and further strengthening customer development and services.

- **Talent strategy:** We will continue vigorously cultivating and recruiting talents, motivating key employees and improving the quality of employees.

- **Capital strength:** We plan to utilise various tools to continually enhance our capital strength and to optimise our balance sheet.

- **Information technology:** We plan to increase our R&D capacity, propelling the integration and development of online and offline businesses. We also intend to continually strengthen our digital governance.

- **Risk control and compliance:** We plan to construct a comprehensive and integrated risk control mechanism covering the entire process of all business lines, and continue to improve our risk control and management levels.

- **Management and operation:** Through reengineering and informatisation of our organisational process, we intend to vigorously promote the construction of a centralised operating system to further improve and optimize the efficiency and effectiveness of operations management.

- **Internationalisation strategy:** Through integrated management and development of domestic and foreign businesses, we plan to build a comprehensive cross-border business platform that integrates our bountiful resources and leverages our competitive advantages.

BUSINESS OF THE GROUP

Our principal businesses comprise four segments: (i) investment banking business, (ii) wealth management business, (iii) trading and institutional client services business, and (iv) asset management business. The table below sets out the detailed components of each business segment.

Investment banking business	Wealth management business	Trading and institutional client services business	Asset management business
Equity financing business	Brokerage and wealth management business	Stock sales and trading business	Asset management business of the securities company
Debt financing business	Margin financing and securities lending business	Fixed-income products sales and trading business	Fund management business
Financial advisor business	Repurchase business	Investment and research business	Private equity investment business
		Prime brokerage business	
		QFI business and WFOE businesses	
		Alternative investment businesses	

The table below sets forth the breakdown of our total revenue and other income by business segments for the years indicated:

	For the year ended 31 December						
	2021		2022		2023		
	RMB	%[1]	RMB (before and after restatement)	%[1]	RMB	US$	%[1]
	(in thousands, except for percentages)						
Investment banking	5,963,318	15.3%	6,174,576	16.9%	5,028,590	708,262	14.8%
Wealth management	9,655,948	24.7%	9,165,012	25.1%	9,796,106	1,379,753	28.8%
Trading and institutional client services	14,187,947	36.3%	11,992,544	32.9%	14,525,585	2,045,886	42.7%
Asset management	1,896,812	4.9%	1,730,772	4.7%	1,501,881	211,536	4.4%
Other businesses	7,328,932	18.8%	7,407,877	20.4%	3,127,270	440,467	9.2%
Total	**39,032,957**	**100.0%**	**36,470,781**	**100.0%**	**33,979,432**	**4,785,903**	**100%**

(1) Represents the percentage of total revenue in RMB.

Investment banking

Our investment banking business consists of:

- equity financing business: to provide clients with equity financing services in domestic and overseas capital markets;
- debt financing business: to provide clients with debt financing services in domestic and overseas markets; and
- financial advisor business: to provide clients with domestic and cross-border M&A and restructuring, NEEQ quotation recommendation and financing services.

In 2023, we completed issuance of 67 equity financing projects, among which 33 IPO projects raised funds amounting to RMB40.8 billion and 34 equity refinancing projects raised funds amounting to RMB54.0 billion. The number of equity financing projects underwritten by us as a lead underwriter and the amount both ranked No. 2 in the PRC securities industry, among which the number of IPO projects underwritten by us as a lead underwriter and the amount ranked No. 2 and No. 3 in the PRC securities industry, respectively. In 2023, we completed 3,280 debt financing lead underwriting projects and the lead underwriting scale was RMB1,545.7 billion, ranking No. 2 in the PRC securities industry. The number of corporate bonds underwritten by us as a lead underwriter and the total amount have ranked No. 1 and No. 2 in the PRC securities industry in 2023, respectively.

Through our full-license investment banking platform in Hong Kong, we are able to fully support our Chinese clients to "go global" by meeting their needs for overseas financing and cross-border M&A. We conduct our Hong Kong investment banking business through our subsidiary, China Securities International.

Our investment banking brand plays an important role in attracting our corporate clients and has created significant synergies. For example, many equity financing transactions underwritten by us brought us clients in custody, margin financing and securities lending, and collateralised stock repurchase businesses; we proactively market asset management products to our large corporate clients who have close relationships with us; we also assist our qualified private equity portfolio companies in their domestic or overseas IPOs or M&As.

Our investment banking business has comprehensive industry coverage:

- Large industry-leading enterprises

    - Infrastructure: Beijing-Shanghai High Speed Railway, Air China, Shenzhen Airport Group, Beijing Subway, China National Chemical Engineering, China Gezhouba Group, Shanghai Tunnel Engineering, and China Railway Group.

    - Energy and Raw Materials: Contemporary Amperex Technology Co. Limited, Datang International Power Generation, China National Petroleum, POWERCHINA, Beijing Jingneng Power, Chongqing Three Gorges Water Conservancy and Electric Power, China General Nuclear Power, Zhongyuan Special Steel, and China Baowu Group.

    - Military and Manufacturing: China North Industries Group, China South Industries Group, China Nuclear Engineering, SIASUN Robot & Automation, China Aerospace Science and Technology, China Aerospace Science and Industry, Neway Valve, and Taiji Computer.

    - Finance: Central Huijin, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, Construction Bank of China, Bank of Communications, Postal Savings Bank of China, and China Galaxy Securities.

- SMEs

    - TMT: Cloudwalk, Isoftstone, Vanchip, China Zhenhua Science & Technology, Sangfor Technologies, Hangzhou CNCR-IT, Dawing Information Industry, 263.net, and Beijing Sevenstar Electronics.

    - High-end Manufacturing: Jinko Solar, Huaqin Technology, Contemporary Amperex Technology, Harbin New Optoelectronics Technology, Yangling Metron New Materials, NavInfo, Easyhome, Scimee Sci. & Tech, Tongding Interconnection Information, and Jinhua Chunguang Technology.

For the years ended 31 December 2021, 2022 and 2023, the total revenue and other income from our investment banking business segment amounted to RMB5,963.3 million, RMB6,174.6 million (before and after restatements) and RMB5,028.6 million (US$708.3 million), respectively, representing 15.3%, 16.9% and 14.8% of the total revenue and other income, respectively.

Equity Financing

The number of equity financing projects we completed was 100, 79 and 67 in 2021, 2022 and 2023, respectively, ranking No. 2 in the PRC securities industry for 2023. In 2023, the aggregate amount of equity financing projects underwritten by us as a lead underwriter reached RMB94.8 billion, ranking No. 2 in the PRC securities industry. In particular, the number of IPOs underwritten by us as a lead underwriter was 33 in 2023, ranking No. 2 in the PRC securities industry, with an aggregate underwritten amount as a lead underwriter of RMB40.8 billion, ranking No. 2 in the PRC securities industry.

In 2023, we sponsored 4 IPO projects of central state-owned companies, ranking No. 1 in the PRC securities industry for five consecutive years. We effectively played an important role to support the real economy, actively carried out our business with a focus on national strategy, and provided services for the listing of a large number of science and technology innovation-oriented enterprises that support major national strategies. We also continued to make contribution to the promotion of green development.

According to National Equities Exchange and Quotations Co., Ltd. (the "**NEEQ Company**"), in 2023, we 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. According to NEEQ Company, the Company continued to supervise 51 innovative companies on the NEEQ as at 31 December 2023.

For project reserves, according to CSRC, SSE, SEZE and Wind Info, as at 31 December 2023, we had 61 IPO projects under review, ranking No. 2 in the PRC securities industry, and 24 equity refinancing projects (including convertible bonds) under review, ranking No. 2 in the PRC securities industry.

The table below sets forth the amount of lead underwriting and the number of offerings about our equity sponsorship and underwriting for the years indicated:

	For the year ended 31 December					
	2021		2022		2023	
Items	**Amount of lead underwriting**	**Number of offerings**	**Amount of lead underwriting**	**Number of offerings**	**Amount of lead underwriting**	**Number of offerings**
	(RMB'00 million)		**(RMB'00 million)**		**(RMB'00 million)**	
IPO	533.5	47	587.1	41	407.5	33
Refinancing Issuance	859.3	53	746.8	38	540.2	34
Total	**1,392.8**	**100**	**1,333.9**	**79**	**947.8**	**67**

Debt Financing Business

We are equipped with proven capability for mega-deals and product innovation. Historically, we completed multiple mega-deal and first-issuance transactions. We have the full license of the onshore debt capital market underwriting business, with coverage of corporate bonds, enterprise bonds, treasury bonds, financial bonds, government-backed bonds, non-financial corporate debt instruments and asset-backed securities. In 2017, we obtained the license as the first Chinese lead underwriter in the Tokyo Pro Bond Market.

In 2023, our debt financing business continued to maintain a good momentum of development, and the number and scale of bond offerings underwritten by us once again hit a record high. The total number of underwriting projects we completed as a lead underwriter increased from 2,467 in 2021 to 2,501 in 2022, and further increased to 3,280 in 2023, the cumulative total scale of the lead underwriting projects was RMB1,529 billion in 2021, RMB1,307 billion in 2022, and RMB1,545.7 billion in 2023, ranking No. 2 in the PRC securities industry in 2023. For corporate bonds, we completed 1,007 lead underwriting projects, ranking No. 1 in the PRC securities industry, with a lead underwriting scale of RMB418.0 billion in 2023, ranking No. 2 in the PRC securities industry. In 2023, we actively implemented major national strategic policies, and complete 105 green bonds projects as led the underwriter, with a lead underwriting scale of RMB62.6 billion, among which the number of carbon neutral special bonds project was 21, with a lead underwriting scale of RMB7.7 billion. For technology innovation corporate bonds and technology innovation instruments, we completed 148 underwriting projects, with a lead underwriting scale of RMB64.6 billion, ranking No. 2 in the PRC securities industry both in terms of the number and amount of the lead underwriting projects.

The table below sets forth the amount of lead underwriting, total project scale and the number of offerings about our debt financing business for the years indicated:

	For the year ended 31 December								
	2021			2022			2023		
Items	Amount of lead underwriting	Total project scale	Number of offerings	Amount of lead underwriting	Total project scale	Number of offerings	Amount of lead underwriting	Total project scale	Number of offerings
	(RMB) (in millions)			(RMB) (in millions)			(RMB) (in millions)		
Corporate bonds	457,220	1,012,703	699	434,219	988,022	789	417,967	1,087,896	1,007
Enterprise bonds	41,761	87,930	71	29,814	68,970	59	23,692	82,010	42
Convertible bonds	25,324	62,530	12	46,030	119,705	20	13,538	16,538	8
Financial bonds	245,175	1,438,455	103	253,978	1,680,257	143	308,521	1,819,640	190
Others*	759,890	4,042,946	1,582	542,721	3,728,110	1,490	781,989	6,393,828	2,033
Total	**1,529,370**	**6,644,564**	**2,467**	**1,306,762**	**6,585,064**	**2,501**	**1,545,707**	**9,399,912**	**3,280**

* "Others" mainly consist of medium-term notes, short-term commercial papers, private placement notes, asset-backed securitisation, government-backed agency bonds and exchangeable bonds.

Financial Advisory Business

In 2023, we completed 9 projects of the acquisition of assets through issuance of shares and major asset restructuring, ranking No. 3 in the PRC securities industry, with a transaction amount of RMB69.6 billion, ranking No. 2 in the PRC securities industry. In terms of project reserves, as at 31 December 2023, we have two projects under review, ranking No. 4 in the PRC securities industry according to Wind Info.

Wealth management

Our wealth management business primarily consists of:

- Brokerage and wealth management business: we provide individual and corporate clients with brokerage of stocks, bonds, funds, derivatives and other tradable securities, and offer investment advisory services customised for wealth management clients to meet their risk and return preferences. We distribute financial products developed in-house and by third parties;

- Margin financing and securities lending business: we offer margin financing and securities lending services to our clients; and

- Repurchase business: we enter into collateralised stock repurchase and contractual repurchase transactions with our clients.

We have strong abilities in acquiring wealth management clients and have a large number of securities branches which were orderly distributed and laid a solid foundation for the steady development of wealth management business. As at 31 December 2023, we had a total of 317 branches (excluding Shanghai Free Trade Zone Branch), of which 57% were located in Beijing, Shanghai, Guangdong, Fujian, Zhejiang, Jiangsu and Shandong, among which the number of branches located in Beijing was 55. We have established mutually beneficial cooperation relationships with major commercial banks in the PRC. By providing stock and fund investment advisory services to the large number of banking clients of these commercial banks, we can develop them into our wealth management clients.

We have strong capabilities in distributing third-party financial products. With respect to client services, we have a group of professional and highly capable financial planners who provide one-on-one customised services to our mid- to high-end clients. We have established a full product line covering cash management, fixed income, equity investment, futures and OTC derivatives. In addition, we also provide mid to high-end clients with capital-based intermediary financing services, among which our margin financing and securities lending, collateralised stock repurchase and contractual repurchase businesses are competitive in the PRC securities industry.

We have interconnected online and offline service channels to acquire customers. We collaborate with multiple types of online service channels, such as a securities vertical channel, quasi-vertical channel, process platform, PC trading terminal, web-based trading platform, mobile apps, official wechat account and external channels. We also resort to traditional offline service channels to acquire customers, including banks, insurance companies and other financial institutions.

Our investment advisory business is in the industry-leading position. We launched industry-innovative "Xianrenzhang" investment advisory products. We kept optimizing our financial product system, by launching "Guyilian" and "Gushoubao" products. We continued to optimize the experience of Qingting Dianjin APP, a mobile application, with average monthly active customers ranking No. 7 in the PRC securities industry.

The agency transaction volume of futures brokerage was RMB13.9 trillion, RMB14.9 trillion and RMB20.7 trillion for 2021, 2022 and 2023, respectively. The closing balance of our margin financing and securities lending business was RMB67.016 billion, RMB60.003 billion and RMB58.997 billion as at 31 December 2021, 2022 and 2023, respectively. The total balance of principal of our collateralized stock repurchase business was RMB10.429 billion, RMB10.892 billion and RMB8.820 billion as at 31 December 2021, 2022 and 2023, respectively.

For the years ended 31 December 2021, 2022 and 2023, the total revenue and other income from our wealth management business segment amounted to RMB9,655.9 million, RMB9,165.0 million (before and after restatements) and RMB9,796.1 million, respectively, representing 24.7%, 25.1% and 28.8% of the total revenue and other income, respectively.

Brokerage and Wealth Management Business

We endeavored to establish an integrated client services platform and ecological chain to develop businesses covering financial products, margin financing and securities lending, the NEEQ, investment advisory services, futures, options and precious metals business through resource integration. We, with our customer-oriented culture, continued to strengthen the core competitiveness of brokerage business with clients as the focus through raising the standard of service and enhancing procedures, and strived to fulfill diversified wealth management, investment and financing needs of clients at different levels.

In terms of the securities brokerage and wealth management businesses, we 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 our "14th Five-Year Plan".

With respect to future brokerage business, as at the end of 2023, our securities brokerage business had newly developed 1,217.6 thousand customers, with a cumulative of 13,373.2 thousand customers in the aggregate.

The transaction volume of agency transactions China Securities Futures achieved increased from RMB13.96 trillion in 2021 to RMB14.87 trillion in 2022, and further increased to RMB20.7 trillion in 2023. In 2023, the revenue and net profit of China Securities Futures reached a record high and the number of new customers increased 28.78% year-on-year. As at the end of 2023, the scale of customer equity increased 17.1% from the end of 2022. As at the end of 2023, the scale of asset managed by the China Securities Futures ranked No. 2 in the industry. In addition, China Securities Futures had set up 29 branches and a subsidiary in charge of risk management in Chongqing, which has laid a solid foundation for futures brokerage and the risk management business.

Margin Financing and Securities Lending Business

According to Wind Info, the balance of our margin financing and securities lending business was RMB67.016 billion, RMB60.003 billion and RMB58.997 billion as at the end of 2021, 2022 and 2023, respectively, with a market share of 3.6% in 2023. The number of margin financing and securities lending accounts increased by 4.5% from 168.7 thousand at the end of 2021 to 176.3 thousand at the end of 2022, and further increased by 4.0% to 183.4 thousand at the end of 2023.

Repurchase Business

As at the end of 2023, our total balance of principal of collateralised stock repurchase business was RMB8.820 billion, among which, scale of investment (in the table) of collateralised stock repurchase business amounted to RMB5.518 billion, with an average collateral coverage ratio of 248.4%; the balance of principal of management (off the table) collateralised stock repurchase business amounted to RMB3.302 billion.

Trading and institutional client services

Our trading and institutional client services consists of:

- Stock sales and trading business;
- Fixed-income products sales and trading business;
- Investment and research business;
- Prime brokerage business;
- QFI business and WFOE businesses; and
- Alternative investment businesses.

According to Wind Info, we were licensed to be a Bond Connect quoting broker in July 2018 and remained as one of the top five securities firms among all the market makers, and we have been one of the top 15 bond market markers in the PRC onshore interbank bond market since 2018. We have a large and strong institutional client base, including mutual funds and private equity funds, QFIs, WFOEs, commercial banks, insurance companies, pension funds, sovereign funds, hedge funds, finance companies, investment companies, listed companies and asset management companies.

In addition, we provide agency sale services of a variety of financial products to our financial institution clients through online and offline brokerage networks. Our clients consist of mutual funds, private equity funds, securities firms, trust companies, futures companies, commercial banks, insurance companies, private equity fund management companies and other financial institutions.

As at 31 December 2023, our full and in-depth investment research business covers 38 research fields. We have a solid and professional research and sales team, consisting of 292 members as at 31 December 2023, which completed 6,685 securities research reports in 2023. Our research team has received numerous awards and recognitions, including but not limited to:

- Research house of greatest potential by Securities Times;

- Golden Bull Awards for Telecom, Military, Light manufacturing and Public utilities teams by Securities Times; and

- Telecom, Machinery, Fixed income teams on the list for Best Analyst Awards by New Fortune.

For the years ended 31 December 2021, 2022 and 2023, the total revenue and other income from our trading and institutional client services business segment amounted to RMB14,187.9 million, RMB11,992.5 million (before and after restatements) and RMB14,525.6 million (US$2,045.9 million), respectively, representing 36.3%, 32.9% and 42.7% of the total revenue and other income, respectively.

Stock Sales and Trading Business

Our equity sales and trading business mainly provides trading, advisory and research services, and distributes equity securities underwritten by us to institutional clients. We also engage in proprietary trading and market-making activities of stocks, funds, ETF, and financial derivatives including stock index futures, commodity futures, options and total return swaps. We provide clients with customised options and swaps products linked to various types of assets to meet the hedging and investment demands of institutional clients.

With regard to the equity trading business, against the backdrop of significant fluctuations in the whole A-Share market in 2023, we adhered to the business orientation of absolute gains and strengthened risk control. In the derivatives trading business, we actively responded to market changes, enriched the strategies of principal investment, continuously promoted business model innovation, and provided standardized and customized customer solutions based on market demand. We further expanded the types of investment transactions and the scope of market-making services, provided liquidity and market-making services for stocks, funds, options, futures and other products in the exchanges, steadily promoted the over-the-counter derivatives business, and continuously strengthened digital construction, so as to meet the asset allocation and risk management needs of customers. We actively expanded cross-border derivatives business, with types of transactions covering international mainstream markets, which will effectively cater to various business needs of domestic and foreign institutional customers. We also enriched the strategy index product system, namely the "CSC World Assets Risk Parity Index (WARP)", and correspondingly developed a number of satellite indexes, including national debt momentum, commodity momentum and commodity arbitrage. The strategy index components cover the most representative asset classes in the world, such as domestic and foreign stocks, bonds and commodities, and are fully allocated across different countries and asset classes. In the meanwhile, we used risk parity technology to optimize the allocation and diversify risk exposures and achieve the goal of going through the cycle.

With respect to the stock sale business, we continued to expand coverage of institutional clients. In 2023, we completed 67 stock sale projects as a lead underwriter, with an aggregate sales amount of RMB94.776 billion, including 33 IPOs, 33 non-public shares and one placing. We achieved success for our overall equity sales business, and underwriting amount of our IPO projects and equity refinancing projects both ranked No. 3 in the PRC securities industry according to Wind Info.

Fixed-Income Products Sales and Trading Business

We maintained a stable pattern in proprietary investment, in particular the proprietary investment in bonds, which precisely caught up with market trends with the combination of a stable allocation and positive directional trading, hence achieving a satisfactory result in bond investment, with a rate of return exceeding all indexes in the market. Meanwhile, we were included among prime market-makers (including banks) in the inter-bank bond market, and among the top five attempted market-makers. We were newly granted the qualification for foreign exchange business, and our spot, forward, swap and option businesses were fully developed and revenue has been achieved. Our fixed-income securities, currencies and commodities ("**FICC**") full license business system was initially established. We issued the first credit protection certificates, which set an example of innovation in the PRC securities industry.

We maintained our traditional leading position in terms of bond sales. In 2023, upon accelerating the construction of the whole FICC business system, we maintained our leading position in the bond sales industry, and ranked second among domestic financial institutions in terms of the credit bond sales scale according to Bloomberg L.P. We also explored and developed non-directional trading, built neutral strategies and improved the income from intermediary business, and vigorously promoted the development of foreign exchange and commodity business. We 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. We adhered to the philosophies such as "serving the real economy" and "customer-oriented" and newly launched bond index income swap business with the themes of "rural revitalization" and "green finance" to support the capital market in fulfilling our role in allocating resources for social responsibility and green development. We adhered to the philosophies such as "serving the real economy" and "customer-oriented", and newly launched bond index income swap business with the themes of "rural revitalization" and "green finance" to support the capital market in fulfilling our role in allocating resources for social responsibility and green development.

We launched derivative investment advisory services to enrich our "Fixed Income-Plus" strategies and further enhance our wealth management service capability. We vigorously promoted the construction of the FICC intelligent platform by using artificial intelligence algorithms to recommend and sell bonds, and opened our self-developed platform to investment advisory customers to create a customer-based ecology and comprehensively improved customer experience.

Investment and Research Business

Our investment research business mainly provides institutional clients with research consultation services covering certain aspects, including macroeconomy, fixed income, strategy, financial engineering, large-scale asset allocation, fund research, industry research and other fields. Our clients mainly include, among others, mutual funds, insurance companies, the NSSF, banks, security private funds, securities firms, trust companies and overseas financial institutions. We provide institutional clients with professional security research reports and various kinds of tailored research services. We increased our efforts in the introduction of high-end research talents, and effectively understood the market situation and market focus by enhancing research planning and cross-industry interactions.

In 2023, we continuously improved our customer service system, vigorously increased the strategic customer coverage rate, strengthened the diversification of revenue sources, continued to improve the full coverage system in research areas, and further improved the refinement of business management and the effectiveness of compliance management by taking advantage of the increase in the informatization rate. We also continuously optimized the business management process, and improved the functions of data statistics, sharing and analysis.

As at 31 December 2023, our research and sales teams had a total of 292 members. Our research business was divided into 10 industry segments covering 38 research fields. In 2023, we completed a total of 6,685 securities research reports, provided 53,268 on-line and off-line roadshows for institutional customers, conducted 7,835 investigations, and successfully organized large conferences and other various professional research service activities. We have continuously promoted internationalization of our research business, improved integrated management system for our research business, and provided research services to dozens of overseas large-scale asset management institutional clients. Our research business is also committed to providing policy research support for government departments and regulatory agencies.

Prime Brokerage Business

We are one of the securities companies in the industry that possess and undertake the widest range of businesses, and support most types of prime brokerage systems, including margin financing and securities lending, stock index futures, commodity futures, stock options, BSE, southbound trading and over-the-counter public funds, to offer our clients with convenience and favourable experience in carrying out various businesses at the same time. Our self-developed special counter for institutional transactions provides financial institutions with independent and more functional trading channels, which is widely recognized by banks, public offerings and insurance customers. The turnover of our prime brokerage business continued to grow, the trading effect of our algorithmic trading continued to optimize, and the types and scale of our customers continued to expand.

As at 31 December 2023, the number of existing customers of our prime brokerage business was 12,953, representing a year-to-year increase of 38.7%. A total of 31 mutual fund companies and 10 insurance asset management institution used our algorithm trading services. A total of 193 customers used our agency commissioning service.

In 2023, we had 88 custodian mutual funds, and the number of our custodian mutual funds ranked No. 1 among PRC securities companies. As at 31 December 2023, our total scale of asset custody and operation services was RMB841.8 billion, representing a year-on-year increase of 5.8%, among which we had 6,132 asset custody products and 6,405 operational service products, representing a year-on-year increase of 5.6% and 6.7%, respectively.

QFI and WFOE Businesses

As a domestic broker and securities firm of QFIs and WFOEs, we have accumulated many years of experience in serving foreign customers and have focused on providing full-product one-stop financial services for foreign organizations. In 2023, we continuously tapped into the QFI and WFOE business opportunities, strengthened customer stickiness with the help of first-class securities research service resources, continuously optimized the account opening and trading processes by continuously upgrading and improving the trading system and trading algorithm, and made efforts to improve the investment and trading experience of foreign customers. Currently, we have formed a specialized investment trading service system for foreign organizations, which features rich securities research services, advanced trading systems and trading algorithms.

Alternative Investment Business

In 2023, in the complicated economic situation and volatile capital market environment, China Securities Investment adhered to the principle of "maintaining stable and sustainable development" and the concept of "serving the real economy, technological innovation, economic transformation and national strategy", focused on the investment scope with equity investment as its principal business, pan-equity investment and innovative investment business as its secondary business, and worked on project development, reserve and investment layout in an orderly manner subject to strict control of the project quality. China Securities Investment completed 26 investment projects (including 10 IPO co-investments on STAR Market) with an investment amount of RMB1.3 billion in 2023.

Investment management business

Our investment management services include:

- Asset management business;
- Fund management business; and
- Private equity investment management business.

We provide clients with collective, targeted and specialised investment management scheme services. We commenced the asset management business in 2009 and launched our first CAM scheme product in January 2010. We established our fund management subsidiary, China Securities Funds, in September 2013 and we strive to develop it into a large fund management platform with a robust and prudent investment style. In addition, we established China Securities Capital, a wholly owned direct investment subsidiary, as the strategic platform for carrying out our private equity investment business in July 2009. We aim to provide a powerful and comprehensive platform for the private equity investment business, through which we assist enterprises to achieve significant growth by providing them with comprehensive capital market services from equity financing to public listing.

For the years ended 31 December 2021, 2022 and 2023, the total revenue and other income from our asset management business segment amounted to RMB1,896.8 million, RMB1,730.8 million (before and after restatements) and RMB1,501.9 million (US$211.5 million), respectively, representing 4.9%, 4.7% and 4.4% of the total revenue and other income, respectively.

Asset Management Business of Securities Company

We provide professional asset management services including collective asset management business, targeted asset management business, and asset-backed securitisation, in order to help clients preserve and increase the value of financial assets. At present, we have built a complete product line to meet the investment needs of clients with different preferences on risks and return. We exerted great efforts to develop our investment management capacity, accelerated optimisation of the asset management business structure, extensively issued active management products, increased the ratio of active management business, and increased our efforts in the development of "net value" products. We adhered to the customer-oriented principle, continuously improved the customer service system, and comprehensively made arrangements for its product lines. We also continuously enriched our asset management product matrix, provided comprehensive product strategies and diversified services to meet the investment needs of various customers for different terms, strategies and risk preferences, and continuously improved our active management capability.

The scale of fixed income, equity and other types of products in our asset management business grew steadily. In 2023, we orderly promoted the establishment of our asset management subsidiary. As at 31 December 2023, the entrusted assets managed by us amounted to RMB469.4 billion, among which the scale of the collective management products as at 31 December 2023 was RMB120.7 billion, the targeted asset management business as at 31 December 2023 was RMB160.4 billion and the specialized asset management business as at 31 December 2023 was RMB188.2 billion.

The table below sets forth the scale of our asset management business for the years indicated:

	As at 31 December		
	2021	**2022**	**2023**
	(RMB) (in millions)		
AUM under collective asset management business	161,290	204,852	120,736
AUM under targeted asset management business	128,645	130,318	160,423
AUM under specialised asset management business	137,337	142,281	188,242
Total	**427,272**	**477,451**	**469,400**

Source: Securities Association of China

Fund Management Business

China Securities Funds focused on enhancing market competitiveness by strengthening its investment and research capabilities, diversifying product lines and improving the customer service system, actively exploring new business fields, accelerating product launch and optimised product structure. The AUM of China Securities Funds increased from RMB59.899 billion as at the end of 2021 to RMB102.571 billion as at the end of 2022, and decreased to RMB93.759 billion as at the end of 2023. According to Wind Info, as at 31 December 2023, China Securities Fund managed a total of 54 mutual funds (including 7 new products established in 2023), among which 30 products entered top 50% of the market, 19 products entered top 20% of the market and 10 products entered top 10% of the market.

Private Equity Investment Business

With a fluctuating situation both at home and abroad, as well as recovery of primary and secondary markets, the domestic private equity market started recovery while equity investment started returning to the origin. China Securities Capital, conforming to the trend of development of capital markets, established funds jointly with industrial institutions and government in hot areas and regions, thereby driving for the steady growth of fund management scale. China Securities Capital adhered to the "large fund" strategy, continuously widened the fund-raising channels, expanded the fund management scale, persisted in in-depth research in key areas based on market hotspots, and continuously improved the project development efficiency and the project investment quality.

In 2023, China Securities Capital completed the project investment of over RMB4.0 billion. As at 31 December 2023, 6 of the invested projects of China Securities Capital were listed and 7 of the invested projects of China Securities Capital were pending the approval in the meeting. As at 31 December 2023, China Securities Capital had 13 registered funds under management with a fund management scale of exceeding RMB11.6 billion. According to Asset Management Association of China, at the end of 2023, China Securities Capital ranked No. 5 among private equity subsidiaries of PRC brokers in terms of the average monthly paid-in amount.

MARKET AND COMPETITION

After over 30 years of orderly development, China's securities market has become a significant part of the global capital market. Securitisation ratio, corporate financing structure, market participant mix and securities firms' leverage ratio and revenue structure all indicate that China's capital market still has huge room for development in terms of penetration, coverage and density. With diversification of financial products and the improvement and development of capital markets, China's securities market will gradually realise its huge growth potential.

The securities industry in China is under strict supervision, and securities firms must comply with a large number of supervisory regulations in every aspect, including business licensing, scope of products and services, business development and risk control. The competition has been intense in the PRC securities industry and will remain so in the future.

In the securities brokerage business, we compete primarily with other PRC securities firms in pricing, the scope and quality of products and services offered. For the investment banking business, we compete primarily with other PRC joint venture securities firms, as well as PRC commercial banks in branding, marketing and underwriting capacity, service quality, professional competence, financial strength and pricing. In the asset management business, we compete primarily with fund management companies, banks, insurance companies, trusts and other securities firms in the PRC in the range of products and services offered, pricing and quality of client service. Some of our competitors may enjoy certain competitive advantages, including greater financial resources, more sophisticated management experience and more advanced information technology systems, wider geographic coverage and the ability to offer more financial products and services than us. In addition, with the deregulation of the PRC securities industry, more competitors may enter the market and existing competitors may expand their market shares. We believe that the financial service industry in China will become increasingly competitive, which will accelerate transformative innovation and differentiate development of PRC securities firms.

AWARDS

In recognition of its outstanding business achievements and management capabilities, we have received prestigious awards and honours in recent years, including, among others:

- 2023 Excellent Investor Education Base by CSRC;

- 2023 Excellent Project Report on Key Project Research by Securities Association of China;

- 2022 Enterprise Standard Forerunner by Securities Association of China China Futures Association Asset Management Association of China;

- 2023 Excellent SSE Investor Education Member, Bond Market Comprehensive Service Award and Excellent Consultation and Support Unit for Comprehensive Service of Central Enterprises by SSE;

- 2023 Excellent SZSE Investor Education Member by SZSE;

- 2023 Typical Case Selection for Exchange Bond Market Serving the Real Economy: Top 10 Cases by The Corporate Bonds Supervision Department of the CSRC, SSE and SZSE;

- 2023 Excellent Industrial Bond Underwriter, Excellent Underwriter Serving National Strategy and Excellent Manager for Asset Securitization Business by SSE;

- 2023 Excellent Corporate Bond Underwriters, Excellent Institution Underwriting Interest-Rate Bonds and Excellent Fixed-Income Innovative Product Intermediary by SZSE;

- 2022 Excellent Investor Education Base by CSRC;

- Grade A in the Evaluation on the Education of Investors in Securities Companies in 2022 by Securities Association of China, SSE, SZSE and National Equities Exchange and Quotations Co., Ltd.;

- Excellent Award for the 8th Securities and Futures Industry Science and Technology Awards (2022) by Securities and Futures Industry Science and Technology Award Committee of Securities Association of China;

- Excellent Corporate Bond Underwriter, Excellent Industrial Bond Underwriter, Excellent Private Enterprise Corporate Bond Underwriter, Excellent Underwriter Serving National Strategy, Excellent Manager for Asset Securitization Business, Excellent Bond Dealer and Excellent Bond Investment Institution (Proprietary) in 2022 by SSE;

- 2022 Excellent Funds Market Maker by SSE;

- Top 100 SSE Bond Market Trading Institutions and Top 10 SSE Bond Market Broker Proprietary Institutions in 2022 by SSE;

- 2021 Outstanding Organization of "Investor Education Red Tour" by SZSE

- 2021 Annual Survey for Investors by SZSE

- 2021 Award for Best Organization of Survey by SZSE

- 2021 Mobile Financial Client Application Enterprise Standard "Leader" by Securities Association of China, Futures Association of China, Asset Management Association of China, China Securities Information Technology Service Co., Ltd.

- 2020 The Whole Nation Civilized Unit by The Central Guidance Commission on Building Spiritual Civilization

- 2020 Demonstration Unit of National Financial System Workers' Congress System Construction by National Committee of Chinese Financial Workers' Union

- 2020 Outstanding Market Maker of ETF by SSE

- 2020 Outstanding Bond Dealer, Outstanding Underwriter of Local Government Bonds, Outstanding Bond Investment Agency (proprietary trading), Excellent Underwriter of Corporate Bonds, Excellent Underwriter of Corporate Bond Innovative Product, Excellent Trustee, Excellent Manager for Asset Securitization Business by SSE

- 2020 Outstanding ETF Liquidity Service Provider by SZSE

- 2020 Outstanding Interest Rate Bond Undertaking Institution, Excellent Underwriter of Corporate Bonds, Excellent Private Enterprise Financing Supporting Institution, Excellent Asset-Backed Special Manager, Excellent Bond Investment Trading Institution by SZSE

- Participating Unit of Information Technology Application Innovation Center of Securities and Fund Industry by 2020

- 2020 Outstanding Member for Investor Education and Excellent Institution of the Year by SSE

EMPLOYEES

As at 31 December 2023, we had a total of 13,901 employees. We are committed to recruiting, training and retaining skilled and experienced employees throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as by focusing on training and career development.

The following table sets forth the number of our employees in each function As at 31 December 2023:

Function	Number of employees
Business personnel	11,470
Information technology personnel	1,158
Financial personnel	313
Administration personnel	116
Others	844
Total	**13,901**

Risk Management

Overview

We attach great importance to the formation of a risk management system all the time. Adopting the risk management concept of "risk management as priority, risk management by all", we regard alignment with our general operating strategic goal, and risk maintenance at a tolerable level, as the foundation of risk management and seek to ensure that risks associated with our various businesses are measurable, controllable and commensurate with returns. We continue to enhance our risk management system in accordance with the needs arising from our business development, market condition changes and the regulatory requirements, so as to ensure the progressive enhancement and effective operation of a comprehensive risk management mechanism.

Structure of Risk Management

The Board of Directors is our ultimate decision-making body for risk management. The executive management is the executive body, while different units are responsible for directly managing the risks in their business or operational activities. We have three dedicated risk control departments, namely the

Risk Management Department, the Legal and Compliance Department and the Internal Audit Department, which independently monitor and manage risks before, during and after the event, according to their respective roles and responsibilities.

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

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

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

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

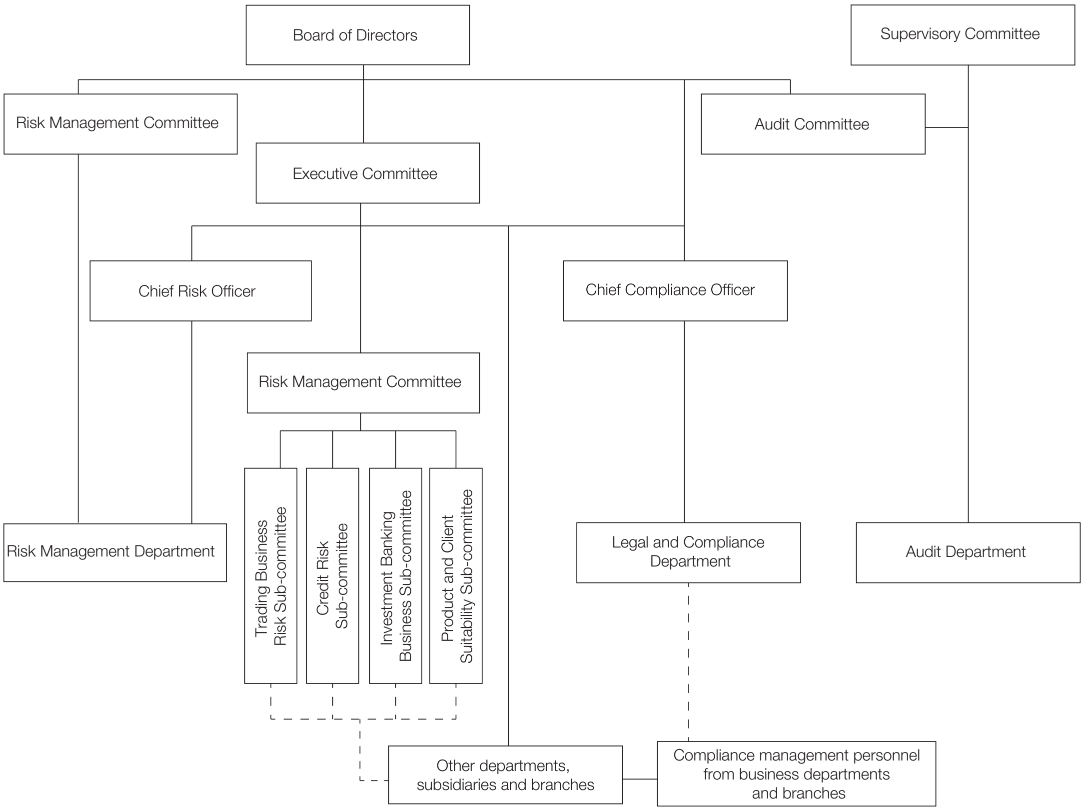
The Risk Management Committee under the Executive Committee is responsible for determining our risk appetite, risk tolerance level, overall risk limits, important specific risk limits and risk control standards; formulating and promoting the implementation of our risk management rules and procedures;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

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

Each and every department, branch and subsidiary of ours, within their roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk control policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. All staff has the responsibility to comply with our relevant rules and procedures and contribute to daily risk control efforts as part of their own job responsibilities.

The Risk Management Department is responsible for our risk management, the Legal and Compliance Department is responsible for legal affairs and compliance management, and the Internal Audit Department is responsible for our internal audit activities. The aforementioned three independent risk management departments establish their own rules and procedures and operate independently to promote our risk management. 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 our overall legal and compliance risks, and the

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

Risk Management Mechanism

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

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

The following table sets forth our key risk control indicators:

Items[(1)]	2021	2022	2023	Regulatory warning threshold	Regulatory limit
Net capital (RMB in millions)	66,932	66,252	66,859	–	–
Net assets (RMB in millions)	76,441	88,848	91,856	–	–
Risk coverage ratio	282.07%	226.26%	162.21%	≥120%	≥100%
Capital leverage ratio	15.85%	15.17%	14.02%	≥9.6%	≥8.0%
Liquidity coverage ratio	228.96%	235.00%	208.63%	≥120%	≥100%
Net stable funding ratio	137.31%	142.44%	151.21%	≥120%	≥100%
Net capital/net assets	87.56%	74.57%	72.79%	≥24%	≥20%
Net capital/liabilities	24.98%	22.92%	22.21%	≥9.6%	≥8.0%
Net assets/liabilities	28.53%	30.73%	30.51%	≥12%	≥10%
Proprietary equity securities and securities derivatives/net capital	12.97%	9.57%	13.98%	≤80%	≤100%
Proprietary non-equity/securities and securities derivatives/net capital	258.72%	321.63%	350.13%	≤400%	≤500%

(1) All risk control indicators 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》) issued by the CSRC.

We formulate the operational process for risk assessment, and determine the 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.

We have 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. We have established crisis management mechanisms and programs, and formulated effective contingency measures and plans for various businesses, especially for key risks and emergencies such as liquidity crisis and accidents on transaction systems, while an emergency response mechanism has been established and is drilled on a regular basis.

We are responsible for building mechanisms for communicating and reporting risk information and significant risk warnings, communicating and managing risk information and providing significant risk warnings. The Risk Management Department is responsible for formulating operational procedures for communicating and reporting risk information and issuing risk warnings, and the departments and branches and subsidiaries report risk information or issue warnings on potential risks identified by themselves to the Risk Management Department. The Risk Management Department then manages the risk information, performs comprehensive analyses on various risk information to identify risk control weaknesses and loopholes and propose recommendations on improving risk control, reports significant risks to the Chief Risk Officer and Risk Management Committee or executive management, and at the same time, communicates risk information to the 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 our executive management. The Risk Management Department continuously monitors risks and the risk control status by following up on the implementation of risk control recommendations by relevant parties in managing risks identified in the risk reports.

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

The Internal 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, management, the Legal and Compliance Department and the Risk Management Department, and drives any follow-up corrections and rectifications.

We, by continuously promoting the implementation of consolidated management, further optimised the comprehensive risk management mechanism, kept enhancing internal control, risk measurement, credit risk management and risk management in the subsidiaries. Our risk management capability of grouping and our fine management level have been further strengthened by increasing input in staffing and development of risk management system. We 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.

Legal Proceedings

We may become a party to legal proceedings arising in the ordinary course of our business. There has been no legal proceeding pending or threatened against us that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

DESCRIPTION OF CSIF HOLDING

OVERVIEW

China Securities International is a wholly-owned subsidiary of the Company, incorporated in Hong Kong in July 2012 under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong, the "**Companies Ordinance**") (company number: 1772753). As of the date of this Offering Circular, the registered office of China Securities International is at 18/F, Two Exchange Square, Central, Hong Kong.

China Securities International is the primary overseas platform of the Group. It plays a key role in the Group's strategy of becoming an international financial services provider by leading the Group's overseas business development. Strategically located in Hong Kong, China Securities International takes advantage of the access to both the onshore and offshore markets and the transferability of the Renminbi and Hong Kong dollar and serves as a linkage between the Group's onshore business and offshore funding and investment opportunities.

China Securities International provide a range of corporate financing products and services to various enterprises, institutions and high-end customers by carrying out corporate financing, asset management, securities brokerage, investment research and other businesses. The subsidiaries of China Securities International engage in businesses including securities brokerage, asset management, corporate finance, investment consulting, futures trading, proprietary investment and insurance brokerage. Three subsidiaries of China Securities International are licensed by the Securities and Futures Commission of Hong Kong for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. A subsidiary of China Securities International holds an Insurance Broker Company Licence issued by the Insurance Authority of Hong Kong.

For the years ended 31 December 2021, 2022 and 2023, the revenue of China Securities International were HK$260.7 million, HK$290.4 million (before and after restatements) and HK$276.8 million (US$35.4 million), respectively. Operating profit was HK$231.2 million, HK$200.5 million (before and after restatements) and HK$827.8 million (US$106.0 million) for the years ended 31 December 2021, 2022 and 2023, respectively, while net profit was recorded at HK$112.1 million for the year ended 31 December 2021 and HK$215.8 million (US$27.6 million) for the year ended 31 December 2023, and net loss was recorded at HK$117.0 million (before restatements) for the year ended 31 December 2022 and HK$117.1 million (after restatements) for the year ended 31 December 2022. As of 31 December 2021, 2022 and 2023, the total assets of China Securities International were HK$15,500.2 million, HK$21,550.5 million (before restatements), HK$21,543.9 million (after restatements) and HK$26,205.1 million (US$3,354.9 million), while its total liabilities were HK$11,383.9 million, HK$17,756.5 million (before restatements), HK$17,748.7 million (after restatements) and HK$22,104.4 million (US$2,829.9 million), respectively.

HISTORY AND DEVELOPMENT

The following table sets forth the key development milestones in the history of China Securities International:

2012	In July, China Securities International was established.
2013	In June, China Securities International officially opened as the primary overseas platform of the Group.
2014	In January, China Securities International received an additional investment of HK$400 million from the Company, and its capital increased to HK$500 million.

2015	In April, China Securities International received an additional investment of HK$500 million from the Company, and its capital increased to HK$1 billion.
2017	In June, China Securities International was awarded by Hong Kong Stock Exchange as "RMB Fixed Income and Money Market Core Partner".
2018	In October, China Securities International received an additional investment of HK$1 billion from the Company, and its capital increased to HK$2 billion.
2019	China Securities International engaged in insurance business by establishing an subsidiary.
2021	In October, China Securities International received an additional investment of HK$2 billion from the Company, and its capital increased to HK$4 billion.
2022	China Securities International completed the first EU carbon emission quota transaction and successfully participated in the first day of trading in the international carbon market of the Hong Kong Stock Exchange as one of the first trading participants.
2023	In December, China Securities International successfully obtained BBB+ international ratings from S&P and Fitch.

BUSINESS SEGMENTS

As an important part of the overall corporate financing services, China Securities International is committed to providing all-round, best-quality comprehensive services to all types of enterprises. It has multiple industry groups under its jurisdiction, covering biotechnology, education, media and entertainment, large consumer goods, communications and technology, new energy, transportation, infrastructure and other industries.

With a deep understanding of the market and industry, and by leveraging its rich project experience and a professional working team, China Securities International focuses on customer needs and provides customers with services and products relating to initial public offerings, mergers and acquisitions and restructuring and other overseas primary markets as well as subsequent additional issuances and secondary markets. Its services are comprehensive, full-product, all-round and high-quality, covering placements, private placements and rights issues.

Brokerage Business

The stock trading volume of China Securities International in 2023 was significantly superior to the market trading volume performance in Hong Kong during the same period. Due to the introduction of regulatory policies that strictly restrict people holding identity cards of the mainland of China from opening accounts in Hong Kong, it has a great impact on Hong Kong's retail securities brokerage industry. China Securities International has been actively transforming. According to data from the Hong Kong Stock Exchange, China Securities International ranked 64th in the Hong Kong market in the first three quarters of 2023. China Securities International entered the ranks of Class B securities companies.

Debt Financing Business

China Securities International focuses on providing a full range of debt financing solutions, including credit bonds, convertible bonds, exchangeable bonds and structured notes, etc. From traditional corporate loans and bonds to structured notes, China Securities International can provide tailor-made debt products and structures to provide the best solutions for its customers' financing needs. China Securities International has extensive experience in underwriting US dollar bonds. The debt capital markets team of China Securities International has more than 20 years of experience in underwriting US dollar bonds, and its key executives have experience in serving as global coordinators for the issuance of multiple US dollar bonds.

China Securities International completed 101, 81 and 105 overseas bond issuance transactions in the offshore market, with an underwriting scale of HK$299.9 billion, HK$174.0 billion, HK$223.8 billion, for the years ended 31 December 2021, 2022 and 2023, respectively.

Equity Financing

The equity capital markets team of China Securities International works closely with listed companies, private companies and government agencies in Asia to originate, structure and execute equity or equity-linked financing projects in various industries. The equity capital markets team of China Securities International combines expertise in corporate finance, equity research and marketing to provide clients with professional and comprehensive advice and unique financing solutions. The range of products and services China Securities International provides include initial public offerings, follow-on issuances and secondary market placements, private placements and convertible/exchangeable debt issuances.

The number of IPOs China Securities International completed was three, seven and eight for the years ended 31 December 2021, 2022 and 2023, respectively, and the equity financing proceeds totaled HK$4.2 billion, HK$3.7 billion and HK$8.3 billion for the years ended 31 December 2021, 2022 and 2023, respectively. In 2023, China Securities International ranked 3rd among Chinese-funded securities firms in Hong Kong (brokerage firms only) in terms of the number of projects, and 4th in the entire Hong Kong market (including foreign brokerage firms); ranked 2nd among Chinese-funded securities firms in Hong Kong (brokerage firms only) by the number of projects, and ranked 4th among all Chinese-funded securities firms in Hong Kong (including foreign brokerage firms).

Fixed Income Products Sales and Trading Business

The multi-asset investment business of China Securities International for FICC increased steadily in scale, with a sound performance of the investment yield and increasingly diverse investment varieties. Various product such as cross-border returns swap and structured paper gradually transferred towards customer demand-based service, further improved the business types of China Securities International, and enhanced its neutral strategic revenue.

Stock Sales and Trading Business

The institutional sales and trading business of China Securities International mainly provides trading, advisory and research services, and distributes equity securities underwritten by it to institutional clients. In 2023, China Securities International further focuses on constructing a cross-industry, cross-market and cross-asset research service matrix, dedicated to improving the service system for customers of multi-strategic buyer institutions, further enhancing its influence in the secondary stock market in Hong Kong and gradually establishing brand awareness. As at 31 December 2023, the cumulative number of the institutional clients of China Securities International for its institutional sales and trading businesses was 528, and the cumulative stock trading volume of such institutional clients reached HK$46.5 billion in 2023.

Wealth Management Business

China Securities International provides wealth management services to clients of our securities brokerage business including institutional clients and high-net-worth individuals. In 2023, the aggregate transaction amount of stock agency of China Securities International was HK$72.1 billion, with 232 new clients and 25,907 clients in aggregate, and the total market value of stock under custody for our clients' accounts was HK$23.6 billion. In 2023, China Securities International timely adjusted its business development strategies, deepened its collaborative cooperation within the group and intensified the development of high-net-worth individual clients and corporate institutional businesses. China Securities International 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.

Margin Financing and Securities Lending Business

China Securities International strives to meet customers' investment and financing needs and promotes the development of financing business with the improvement of customers' asset scale and financing business scale. The balance of China Securities International's margin financing and securities lending business was HK$170 million, HK$296 million and HK$160 million at the end of 2021, 2022 and 2023, respectively.

Investment and Research Business

China Securities International gives full play to the advantages of cross-market research resources such as those offered by A-shares and Hong Kong stock markets, provides high-quality research services according to the investment preferences of overseas institutional customers, and aims to further enhance the prospects of the research business in Hong Kong and overseas markets.

Investment Management Business

Through its wholly-owned subsidiary, China Securities (International) Asset Management Company Limited (the "**China Securities International Asset Management**"), China Securities International offers diversified products in order to meet different investment needs. China Securities International Asset Management has been licensed for Type 9 (asset management) and Type 4 (advising on securities) regulated activities by the Hong Kong Securities and Futures Commission in February 2013 and April 2014, respectively. As at 31 December 2023, the asset management business scale of China Securities International was approximately US$105.1 million, of which bond investment management scale was approximately US$5.7 million, the management scale of balanced fund was approximately US$19.4 million, and the management scale of specialized client was approximately US$80.0 million.

China Securities International Asset Management has established multiple private equity funds based on different risk preferences and investment objectives, which mainly cover the bond and stock markets in mainland China, Hong Kong, Asia-Pacific. Since the establishment, the funds have achieved stable performance and achieved higher returns than the market and peers.

China Securities International Asset Management also tailors investment portfolios to its customers based on their investment restrictions, investment purposes, risk tolerance, and provides customized asset management plan. China Securities International Asset Management targets to keep abreast of the pulse of the investment market, cooperate with favorable opportunities and active risk management, and seek maximum investment returns for its investors.

China Securities International Asset Management cooperates with outstanding financial institutions to serve as investment consultants and provides customers with investment advice services involving securities and related products, including providing investment product selection, investment portfolio and financial planning advice, etc. China Securities International Asset Management also provides investment management and consulting services for multiple QDII products.

China Securities International Asset Management is applying RQFII related qualifications and quotas to help its customers capture investment opportunities in the domestic market and tap growth potential.

Financial Advisory Business

China Securities International provides strategic advice and transaction services to corporate clients, advising mainly on fund raising, corporate restructuring, mergers, acquisitions and takeovers of both private and public companies. Leveraging the Group's extensive network in China and Hong Kong, China Securities International seeks to provide unique solutions to the capital needs of its clients across a wide spectrum of industries and product groups.

The number of financial advisory projects that China Securities International completed was three, one and four for the years ended 31 December 2021, 2022 and 2023, respectively.

BUSINESS STRATEGY

As the Group's primary offshore platform, the strategic objective of China Securities International is to pioneer and develop the Group's offshore business with the aim of transforming the Group into an international financial institution. China Securities International seeks to continue to expand the scope of its financial services while at the same time focusing on its investment business. By leveraging the resources of the Group, China Securities International is able to generate cross-selling opportunities and provide quality financial services to its clients.

Equity Financing

China Securities International will continue to promote its 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.

Debt Financing Business

China Securities International will continue to provide high-quality products and services for enterprises in offshore bond projects, continuously expand its rating consultancy and green structure consultancy services to enrich its debt financing derivative products. China Securities International plans to 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.

Financial Advisory Business

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

Brokerage and Wealth Management Business

China Securities International will continue to firmly adhere to its principal business as the overseas platform of the Company, so as to continuously enrich its overseas business and product types with the aim of stable development and seeking breakthroughs. China Securities International will enhance the professional and international standard of its teams and optimize its overseas asset allocation capabilities to help customers achieve their goal of value preservation and appreciation of global assets.

Margin Financing and Securities Lending Businesses

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 its multi-market and multi-variety financing businesses on the basis of implementing the Company's principle of prioritizing risk control.

Stock Sales and Trading Businesses

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

Fixed-income Products Sales and Trading Businesses

China Securities International will adhere to increase its investment business returns based on the permanent principle of keeping risks controllable, while further improve its service quality and provide more diversified solutions for its domestic and foreign customers. China Securities International will strengthen its sales of the bond underwriting business projects in the primary market, expand customer coverage by deeply understanding customers' needs, and maintain its underwriting ranking in terms of offshore bond issuance. China Securities International will continuously deepen its transformation and development of customer demand-based business by enriching product lines and refining its business processes.

Asset Management Business of the Securities Companies

China Securities International will continue to actively establish comprehensive asset management product lines and provide high-quality services to customers by acting as an offshore financing platform for overseas asset management business.

AWARDS

In recognition of the outstanding business achievements and management capabilities of China Securities International, it has received prestigious awards and honours in recent years, including, among others:

- The 13th China Securities Golden Bauhinia Award in 2023: Outstanding Financial Services Institution by Hong Kong Ta Kung Wen Wei Media Group, The Listed Companies Association of Beijing, 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;

- 2023 Business Cares Award by The Hong Kong Council of Social Service;

- The 4th "Golden Central" Selection in 2022: Best Customer Service Award by Zhitong Caijing;

- 2022 Forex Futures Broker Partner Award by Singapore Exchange Limited;

- 2022 Business Cares Award by The Hong Kong Council of Social Service;

- 2021 Top Breakthrough Participant, Currency Futures by Hong Kong Stock Exchange; and

- 2021 Business Cares Award by The Hong Kong Council of Social Service.

Employees

As at 31 December 2023, China Securities International had a total of 248 employees. China Securities International is committed to recruiting, training and retaining skilled and experienced employees throughout its operations. China Securities International intends to achieve this by offering competitive remuneration packages as well as by focusing on training and career development.

DIRECTORS

The following table sets forth information regarding the directors of China Securities International as at the date of this Offering Circular:

Name	Position
Jiang Yueqin	Director
Xu Tao	Director
Wang Guangxue	Director
Liu Naisheng	Director
Huang Ling	Director

FINANCIAL INFORMATION

For details of the financial information of China Securities International, please see "*Selected Financial Information of CSIF Holding*", the Audited Consolidated Financial Statements of CSIF Holding and the 2022 Restated Consolidated Financial Information of CSIF Holding included elsewhere in this Offering Circular.

LEGAL PROCEEDINGS

China Securities International may become a party to legal proceedings arising in the ordinary course of its business. There has been no legal proceeding pending or threatened against China Securities International that could, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The following table sets forth information regarding our directors as at the date of this Offering Circular:

Name	Age	Position
Wang Changqing	60	Secretary of the Party Committee, Chairman of the Board, Executive Director and Chairman of the Executive Committee
Li Min	47	Vice Chairman, Non-executive Director
Wu Ruilin	59	Vice Chairman, Non-executive Director
Zou Yingguang	53	Member of the Party Committee, Executive Director and Member of the Executive Committee
Yan Xiaolei	48	Non-executive Director
Zhu Jia	41	Non-executive Director
Yang Dong	47	Non-executive Director
Wang Hua	47	Non-executive Director
Po Wai Kwong	67	Independent Non-executive Director
Lai Guanrong	62	Independent Non-executive Director
Zhang Zheng	51	Independent Non-executive Director
Wu Xi	46	Independent Non-executive Director
Zheng Wei	50	Independent Non-executive Director

Executive Directors

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.

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 (首都醫科大學宣武醫院), business manager of the Beijing securities business department of Hainan Huayin International Trust Investment Corporation (海南華銀國際信託投資公司), 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.

Non-Executive Directors

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 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 (中國工商銀行股份有限公司), 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 (華夏銀行股份有限公司), and the head of the preparatory group and the chairman of the board of directors at Hua Xia Wealth Management Co., Ltd. (華夏理財有限責任公司). 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.

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 Jianyin Investment Limited (中國建銀投資有限責任公司). 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.

Mr. Yan Xiaolei (閆小雷), 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, 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).

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.(環泉私募基金管理(北京)有限公司), and a director of Jingquan International (Hong Kong) Co., Ltd.(環泉國際(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.

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. 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. Mr. YANG obtained a doctor's degree in Economics from Renmin University of China, and had the title of senior economist.

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. 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. Ms. WANG obtained a bachelor's degree and a master's degree in Accounting from Dongbei University of Finance & Economics.

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. 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. 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.

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 (閩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.

Mr. Zhang Zheng (張崢), 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.

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.

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.

SUPERVISORS

The following table sets forth information regarding our supervisors as at the date of this Offering Circular:

Name	Age	Position
Zhou Xiaoyu	60	Deputy Secretary of the Party Committee and Chairman of the Supervisory Committee
Dong Hongfu	55	Supervisor
Ai Bo	53	Supervisor
Wang Xiaoguang.	47	Supervisor
Lin Xuan..	52	Member of the Party Committee, Employee Representative Supervisor and Administrative Head of Human Resources Department
Zhao Ming	52	Employee Representative Supervisor, Administrative Head of Financial Planning Department and Administrative Dead of Treasury Department

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. 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.

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.

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.

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.

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.

SENIOR MANAGEMENT

The senior management is responsible for the daily management of our business operation. The following table sets forth information regarding our senior management as at the date of this Offering Circular:

Name	Age	Position
Wang Changqing.	60	Secretary of the Party committee, Chairman of the Board, Executive Director and Chairman of Executive Committee, General Manager
Zhou Zhigang	58	Member of the Party committee and Member of the Executive Committee
Jiang Yueqin	57	Member of the Party committee and Member of the Executive Committee
Li Tiesheng	51	Member of the Executive Committee
Wang Guangxue	50	Member of the Executive Committee, Secretary of the Board and Administrative Head of the Executive Office
Zhang Xinfan	55	Member of the Executive Committee, Chairman of the Brokerage Business Management Committee and Co-Chairman of the Institutional Business Committee
Liu Naisheng	52	Member of the Executive Committee, and Chairman of the Investment Banking Business Management Committee

Name	Age	Position
Huang Ling	46	Member of the Executive Committee and Chairman of the Institutional Business Committee
Ding Jianqiang	49	Member of the Executive Committee, Chief Compliance Officer and Administrative Head of the Legal and Compliance Department
Xiao Gang	53	Member of the Executive Committee, Chief Information Officer and Administrative Head of the IT Department
Peng Wende	56	Member of the Executive Committee, Chief Risk Officer and Administrative Head of the Risk Management Department

Mr. Wang Changqing (王常青). Please see "Directors, Supervisors and Senior Management – Biographies of Directors and Senior Management – Directors – Mr. Wang Changqing."

Mr. Zhou Zhigang (周志鋼) 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.

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.

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.

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.

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.

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.

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.

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.

Mr. Xiao Gang (肖鋼), 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.

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.

Board Committees

We have formed four board committees, namely the Development Strategy Committee, the Risk Management Committee, the Audit Committee and the Remuneration and Nomination Committee.

Development Strategy Committee

The Development Strategy Committee consists of 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 currently serves as the chairman 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. The primary duties of the Development Strategy Committee include, but are not limited to, the following:

- understanding and mastering the overall operations of the Company;
- understanding, analyzing and mastering the current conditions of international and domestic markets;
- understanding and mastering relevant policies of the State;
- 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;
- studying the short, medium and long-term development strategies of the Company or the relevant issues;
- providing consultancy advice on the Company's major decisions on long-term development strategy and major investments, reform etc.;
- reviewing and approving specific research reports on development strategies;
- issuing routine research reports regularly or from time to time; and
- 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.

Risk Management Committee

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 currently serves as the chairman 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. The primary duties of the Risk Management Committee are as follows:

- to review and advise on the general objectives and basic policies of compliance management and risk management;

- 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;

- to review and advise on the establishment and duties of the institution for compliance management and risk management;

- 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;

- to define the limits of major risks;

- to supervise, examine and make recommendation to the Board on relevant risk management policies;

- 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

- 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.

Audit Committee

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 currently serves as the chairman of the Audit 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. The primary duties of the Audit Committee are as follows:

- 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;

- to propose to engage or dismiss the external auditor, and to supervise the practice of external auditors to review and approve the financial information of the Company and its disclosure;

- to supervise the internal audit system of the Company and its implementation;

- to be responsible for the communications between the internal audit and the external audit;

- to review the financial information of the Company and its disclosure;

- to examine the internal control system of the Company; and

- 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.

Remuneration and Nomination Committee

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 currently serves as the chairman of the Remuneration and Nomination 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. The primary duties of the Remuneration and Nomination Committee are as follows:

- 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;

- to assess the fulfillment of duties of the Directors and senior management of the Company and to appraise their annual performance;

- to review and advise on the appraisal and remuneration system for the Directors and senior management;

- to monitor the implementation of the remuneration system for the Directors and senior management;

- 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

- 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.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong, PRC and, EU tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes. Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

Under existing British Virgin Islands laws, payments of interest and principal on the Notes will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands. No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer. If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Notes and the Certificates or on an instrument of transfer in respect of the Notes or Certificates.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes and gains from the sale, disposal or redemption of Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this "*PRC Taxation*" section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer would be required to withhold income tax from the payments of interest or premium (if any) in respect of the Notes to any non-PRC Noteholder, and gain from the disposition of the Notes may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10% for non-resident enterprise Noteholders and 20% in the case of non-resident individuals. The Issuer has agreed to pay additional amounts to Noteholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, as the Company is a PRC resident enterprise, in the event that the Company is required to fulfill its obligations under the Guarantee, the Company will be obliged to withhold PRC enterprise income tax on payments of interest or premium (if any) made by the Company at the tax rates specified above. To the extent that the PRC has entered into arrangements relating to the avoidance of double income taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Noteholders or individual Noteholders. However, it is unclear whether in practice non-PRC Noteholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries. The Issuer or the Company (as the case may be) has agreed to pay additional amounts to Non-PRC Noteholders, subject to certain exceptions, so that Non-PRC Noteholders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

According to Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing the loans within the PRC. The services are treated as being sold within the PRC where either the service provider or the service recipient is located in the PRC. It is further clarified under Circular 36 that the loans refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Notes may be treated as the Noteholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. In the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Noteholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident Noteholders may be subject to withholding VAT at the rate of 6%. In addition, in that case the holders of the Notes shall also be subject to the local levies at approximately 12% of the VAT payment. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Subject to certain exceptions, if the Issuer or, as the case may be, the relevant Guarantor is required to pay additional amounts with respect to any such PRC withholding taxes, the request to pay additional amounts will increase the cost of servicing the Notes and will adversely impact the cash flows of the Issuer and Company. In addition, if any PRC tax is imposed on the disposition of the Notes, an investor's investment return would be materially and adversely affected.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States, and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise treated as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all the Notes in the series, including grandfathered Notes, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

This section summarises the principal laws and regulations in the PRC and Hong Kong which are relevant to our business. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to us.

PRC REGULATIONS

Major Regulatory Authorities and Self-Regulatory Organisations

The operations of the Company are mainly supervised and regulated by the following authorities in the PRC:

CSRC

The CSRC is the major regulatory authority in the securities and futures industry, which is responsible for the unified supervision and management of the securities and futures markets of the PRC and for maintaining the market order thereof, and to secure their lawful operations in accordance with the laws, regulations and within the authorisation of the State Council. According to the Securities Law (《證券法》)(effective from 1 March 2020) and the Administrative Regulations on Futures Trading (amended on 1 March 2017)(《期貨交易管理條例》), the main duties of the CSRC include: to formulate the regulations and rules in relation to the supervision and regulation of the securities and futures markets and to exercise the rights of examination, approval or verification according to law; to supervise and regulate the issuance, listing, trading, registration, deposit and settlement of securities and other related activities and the listing, trading, settlement and delivery of futures and related activities; to supervise and regulate the securities activities of securities issuers, listed companies, securities companies, securities investment fund management companies, securities service organisations, stock exchanges and securities registration and settlement organisations, as well as futures activities of market participants, including futures exchanges, futures companies, other futures business institutions, non-futures companies clearing member, futures margin security depository management companies, futures margin depository banks, settlement houses and so forth; to legally determine and supervise the qualification standards and codes of conduct of participants engaged in securities and futures businesses; to legally supervise the disclosure of information in relation to the issuance, listing and trading of securities and information on futures trading; to legally guide and supervise the activities of the SAC and the CFA; to investigate activities in violation of laws and administrative regulations in relation to the securities and futures markets; to conduct external and international cooperative transactions in relation to the supervision and management of the securities and futures industries; and to perform other duties stipulated by the relevant laws and administrative regulations.

Stock Exchanges

According to the Securities Law, a stock exchange is a self-regulatory legal entity which provides venues and facilities for the centralised trading of securities and organises and supervises the trading of securities. Shanghai Stock Exchange, Shenzhen Stock Exchange and Beijing Stock Exchange are the three major stock exchanges in the PRC.

Futures Exchanges

Under the Administrative Regulations on Futures Trading (《期貨交易管理條例》), a futures exchange is a non-profit self-regulatory legal entity which provides venues and facilities for the centralised trading of futures and organises and supervises the trading of futures. The main duties of a futures exchange include: to provide venues, facilities and services for trading; to design futures trading contracts and to arrange the listing of futures trading contracts; to organise and supervise the trading, clearing and settlement of futures; to provide centralised performance guarantees for futures trading; to supervise and manage its members in accordance with its articles of association and trading rules; and to perform other duties as specified by the CSRC.

SAC

According to the relevant provisions of the Securities Law, the SAC is a self-regulatory organisation of the securities industry and is a non-profit public legal entity. Securities companies shall join the SAC. The main duties of the SAC include: to educate and advise its members to comply with the securities laws and administrative rules; to protect the lawful rights and interests of its members and forward their proposals and requests to the securities supervision and management authorities; to collect and compile information of securities activities for the members' reference; to formulate rules of the SAC with which the members shall comply, and to organise training programs and seminars for practitioners of its members; to mediate disputes arising from securities business between its members or between members and their clients; to organise for its members the study of development, operation and other matters of the securities industry; to monitor and investigate the conduct of members and take disciplinary actions against them for violation of laws, administrative rules or its articles of association in accordance with relevant provisions; and to perform other duties stipulated in the articles of association of the SAC.

CFA

Pursuant to the relevant provisions of the Administration Regulations on Futures Trading (《期貨交易管理條例》), the CFA is a self-regulatory organisation of the futures industry and is a non-profit public legal entity. Futures companies and other organisations specialising in the business of futures shall join the CFA. The main duties of the CFA include: to educate and advise its members to comply with the laws, regulations and policies in relation to futures; to formulate self-regulatory rules binding on its members and to supervise and examine the conduct of its members and take disciplinary actions against the violation of its articles of association or self-regulatory rules in accordance with relevant provisions; to accredit, manage and de-register the qualifications of futures practitioners; to deal with complaints of clients in relation to the futures business and to mediate disputes between members or between members and their clients; to protect the lawful rights and interests of its members and forward their proposals and requests to the futures supervision and management authorities of the State Council; to organise training and seminars for futures practitioners; to organise for its members the study of development, operation and other matters of the futures industry; and to perform other duties stipulated in the articles of association of the CFA.

AMAC

Pursuant to the relevant provisions of the Law of the People's Republic of China on Securities Investment Fund (《中華人民共和國證券投資基金法》)(the "**Securities Investment Fund Law**") (amended on 24 April 2015 with immediate effect), AMAC is a self-regulatory organisation of the securities investment fund industry and is a public legal entity. Fund managers and fund custodians shall join AMAC, and fund service organisations may join AMAC. The main duties of AMAC include: to educate and advise its members to comply with the laws and administrative rules governing securities investments and to protect the lawful rights and interests of the investors; to protect the lawful rights and interests of its members and to submit their proposals and requests; to formulate and implement self-regulatory rules, to supervise and investigate the practices of its members and practitioners, and to take disciplinary actions against the violation of the self-regulatory rules and its articles of association in accordance with relevant provisions; to formulate practice standards and business rules and to organise the qualification examinations, qualification management and professional training for fund practitioners; to provide membership service, organise seminars, promote innovation and launch propaganda and investor education activities in the securities industry; to mediate disputes arising from fund business between members or between members and their clients; to handle the registration and filing of non-publicly offered funds in accordance with the law; and to perform other duties stipulated in its articles of association.

Other Industry Organisations

Other major industry organisations include PBOC, SAFE, CSDC, China Securities Investor Protection Fund Corporation Limited (中國證券投資者保護基金有限責任公司), China Futures Margin Monitoring Centre Co., Ltd. (中國期貨保證金監控中心有限公司), China Financial Futures Exchange (中國金融期貨交易所), the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會), China Banking and Insurance Regulatory Commission (CBIRC)(中國銀行保險監督管理委員會), National Equities Exchange and Quotations Company Limited (全國中小企業股份轉讓系統有限公司) and China Securities Finance Corporation Limited (中國證券金融股份有限公司).

Intra-Group Lending

Prior to 1 September 2015, lending and borrowing, overt or in a disguised form, among non-financial institutions was prohibited, according to Article 61 of the General Principals of Loans (《貸款通則》) promulgated by the PBOC in 1996. There was a risk that intra-Group lending may be deemed not in compliance with the General Principals of Loans, and the certain intra-Group loans may be cancelled and the lending party may be imposed a fine equal to one to five times of its income accrued from such loans.

On 6 August 2015, the Supreme People's Court issued the Regulations on Application of Laws to Certain Issues For Hearing of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》)(“**Regulations**”), which became effective on 1 September 2015 and was amended respectively on 19 August 2020 and 29 December 2020. Pursuant to the Regulations, subject to certain exceptions, an intra-group lending entered into for production or operating purposes is valid and recognised by the PRC courts. However, the validity of such lending may still be challenged if the lender (not being a financial institution) regularly conducts lending business or its lending activities become its primary business, as such loans would no longer be made for production or business operation purposes.

External Security Regime

Cross-Border Guarantee

On 12 May 2014, the SAFE promulgated the Foreign Exchange of Cross-border Guarantee Measures (《跨境擔保外匯管理規定》). The Foreign Exchange of Cross-border Guarantee Measures, which came into force on 1 June 2014, replaced previous regulations regarding cross-border security and introduced a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that the validity of any cross-border security agreements are no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; and (v) removing the SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the Foreign Exchange of Cross-border Guarantee Measures. The Foreign Exchange of Cross-border Guarantee Measures classify cross-border security into three types:

- Nei Bao Wai Dai (NBWD, 內保外貸): security/guarantee provided by an onshore security provider for a debt owed by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (WBND, 外保內貸): security/guarantee provided by an offshore security provider for a debt owed by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than Nei Bao Wai Dai and Wai Bao Nei Dai.

Under the Foreign Exchange of Cross-border Guarantee Measures, the local SAFE will go through review of the application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the issuer to confirm completion of the registration.

Foreign Debt Laws

SAFE issued the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and its operating guidelines (the "**SAFE Measures**") on 28 April 2013, which came into effect on 13 May 2013 and was amended on 26 April 2016 and 9 June 2016. If the Issuer provides the proceeds to the Guarantor or its domestic subsidiaries in the form of debt, according to the SAFE Measures, the debtor shall submit foreign debt registration when borrowing foreign debts in accordance with laws and regulations. For the domestic debtors besides financial institutions and banks (the "**Non-Bank Debtors**"), they shall submit filing or registration procedures of foreign debts with the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration (《外債登記管理操作指引》) promulgated together with the SAFE Measures, Non-Bank Debtors shall apply for foreign debt registration procedure within fifteen working days after execution of related deeds of foreign debts. In addition, the PBOC issued the PBOC Circular on Full-coverage Macro-prudent Management of Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》)(the "**PBOC Circular**") on 12 January 2017 which came into effect on the same date. According to the PBOC Circular, the debtor is also required to file the issue of the notes with SAFE within the timeframe prescribed in the PBOC Circular. If the debtor fails to report or update the cross-border financing information in time, the PBOC and the SAFE may circulate the criticism on the debtor after verification, order a rectification, and impose sanctions according to the Law of the People's Republic of China on Foreign Exchange Control (《中華人民共和國外匯管理條例》).

Regulation on the Issuance of Foreign Notes

Pursuant to the Notice on Promoting the Reform of the Administration of the Registration of Foreign Debt of Enterprises (《國家發展改革委員會關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)(the "**NDRC Circular**"), which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including notes issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance.

On 5 January 2023, the NDRC issued the Order 56, which took effect on 10 February 2023 and replaced the NDRC Circular on the same date. Pursuant to the Order 56, Chinese enterprises and their overseas controlled entities or branches are required to, with respect to their foreign debt with a contract maturity of over one year (excluding): (i) submit to NDRC the offering information (including, without limitation, major operational indicators of such enterprise and issue details of the relevant foreign debt) within 10 PRC business days after the completion of the issuance or drawdown of such foreign debt, (ii) submit to NDRC information on foreign debt raised under the registration certificate within 10 PRC business days after the expiry date of such registration certificate, (iii) submit to NDRC the requisite information, including, without limitation, the use of proceeds, history and future plans for the payment of principal and interest and major operational indicators, within 5 PRC business days before the end of January and July of each year, and (iv) submit the relevant information to NDRC promptly upon the occurrence of any material event that may affect the due performance of its obligations under their foreign debt and take measures to avoid the spill over of default risks of their onshore debt securities and cross-default risks.

Industry Entry Requirements

Industry Entry Requirements of Securities Companies

Establishment

The Securities Law, explicitly set out the scope of business, industry entry standards, organisations, business rules of securities companies and other requirements for the operations of securities companies. The establishment of a securities company shall be approved by the CSRC and the securities company shall obtain a business license by meeting the following conditions:

- its articles of association shall comply with the laws and administrative regulations;
- its major shareholders and the actual controller of the company shall have good financial status and creditworthiness records and no record of major violation of laws or regulations in the last three years;
- it shall have the necessary registered capital required by the Securities Law; for a securities company operating securities brokerage, securities investment consultation and financial advisory business in relation to securities trading and securities investment, the minimum registered capital shall be RMB50 million; for companies operating one of the areas at securities underwriting and sponsorship, securities financing and securities lending, securities market making, proprietary securities trading, or other securities businesses, the minimum registered capital shall be RMB100 million; for companies operating two or more of the areas at securities underwriting and sponsorship, securities financing and securities lending, securities market making, proprietary securities trading or other securities businesses, the minimum registered capital shall be RMB500 million. The registered capital of a securities company shall be paid-in capital;
- its directors, supervisors, senior management and business employees shall comply with conditions specified in the Securities Law; and
- it shall have effective risk management and internal control systems; it shall have proper premises and facilities for operation; and it shall fulfil other conditions stipulated by laws, administrative rules and the CSRC.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》)(effective from 5 July 2019 and amended on 18 March 2021 and took effective on 18 April 2021), the CSRC shall examine and approve its registered capital and equity structure at the time of establishment of a securities company, and various types of stakeholders of the securities companies shall satisfy the relevant criteria.

According to the Administrative Measures on Foreign-funded Securities Companies (《外商投資證券公司管理辦法》)(the "**Administrative Measures**") promulgated by the CSRC (effective from 28 April 2018 and amended on 20 March 2020) which stipulates the conditions and procedures for the formation of foreign-invested securities companies, foreign investors who lawfully hold 5% or more of the shares in a listed domestically funded securities company through securities trading on a stock exchange or who jointly hold 5% or more of the shares in a listed domestically funded securities company with others by agreement or other arrangements shall comply with the Securities Law and the relevant provisions of the CSRC on examination and approval for acquisition of a listed company and change in securities company.

Establishment of a foreign-funded securities company shall, in addition to compliance with the Company Law, the Securities Law, the Administrative Regulations on Supervision and Administration of Securities Companies and the criteria for establishment of securities company stipulated by the CSRC with approval by the State Council, satisfy the following criteria:

- the overseas shareholder(s) satisfy(ies) the qualification criteria stipulated in Administrative Measures on Foreign-funded Securities Companies, and its/their capital contribution ratio and capital contribution method comply with the relevant provisions of these Measures;

- the preliminary scope of business is compatible with the securities business experience of the controlling shareholder or the largest shareholder; and

- any other prudential criteria stipulated by the CSRC.

The following conditions shall be met for a foreign shareholder of a foreign-invested securities company:

- the country or region in which the foreign shareholder is based has complete securities laws and regulation system, of which the relevant financial regulatory authorities have entered into a memorandum of understanding with the CSRC or institutions recognised by the CSRC in respect of securities regulation cooperation, and the regulation cooperation relationship has been maintained in an effective way;

- the shareholder is a financial institution legally incorporated in the country or region in which it is based, and the respective financial indicators of the shareholder for the last three years satisfy the requirements of the national or regional laws and of the regulatory authorities in that country or region;

- the shareholder is engaged in securities business for over five years, receives no material punishment during the last three years from the regulatory authorities, administrative or legal authorities of the country or region in which it is based, and not being investigated by relevant authorities due to involvement in material violation of laws and regulations;

- the shareholder has well-established internal control system;

- the shareholder enjoys good international reputation and operating results, with its business scale, revenue and profit for the last three years ranking in advanced position in international market and with its long-term credit for the last three years maintained at a high level; and

- other prudent requirements stipulated by the CSRC.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2019)(《外商投資准入特別管理措施(負面清單)(2019年版)》)(effective from 30 July 2019) (the "**Negative List (Edition 2019)**"), the proportion of foreign capital invested in a securities company shall be less than 51%; the proportion of foreign capital invested in a securities investment fund management company shall be less than 51%. Such limits on the foreign shareholding proportion have been removed in the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2020)(《外商投資准入特別管理措施(負面清單)(2020年版)》)(the "**Negative List (Edition 2020)**"), which took effective on 23 July 2020 and replaced the Negative List (Edition 2019). The current effective regulation is the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2021)(《外商投資准入特別管理措施(負面清單)(2021年版)》)(effective from 1 January 2022)), which replaced the Negative List (Edition 2020) while preserving the removal of such limits. According to the Measures for Foreign Investment Information Reporting (《外商投資信息報告辦法》)(effective from 1 January 2020), where foreign investors carry out investment activities in Mainland China directly or indirectly, the foreign investors or foreign investment enterprises shall submit investment information to competent commerce departments in accordance with these Measures.

In addition, according to the provisions of the Guidelines on Administrative Approval for Securities Companies No. 10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號 – 證券公司增資擴股和股權變更》)(promulgated on 27 August 2015), if an enterprise that is directly or indirectly owned by a foreign investor invests in a securities company, the equity interest of the foreign investor in the securities company, based on the effective equity holding, shall not be more than 5%. The indirect equity interests of a foreign investor in a securities company shall be exempted from such restriction if all the following conditions are satisfied:

- the foreign investor indirectly holds the equity interests in the securities company through a listed company;
- the largest shareholder, controlling shareholder or de facto controller of the listed company is a Chinese investor;
- if there is a change in the equity structure of the listed company in the future, which resulted in the indirect shareholding of a foreign investor in the securities company through the listed company in violation of the opening-up policy of China, the matter shall be rectified within a specified period; the relevant equity interest shall not carry a voting interest if such matter is not rectified in the due time; and
- the foreign investor shall be prohibited from establishing any joint ventures securities company with a domestic securities company or making strategic investments in a listed securities company as long as the foreign investor indirectly owns not less than 5% of the equity interests in one or more domestic securities companies.

Business scope

According to the provisions of the Securities Law, a securities company can conduct any or all of the following businesses with approval from the CSRC: securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment; securities underwriting and sponsorship; securities financing and securities lending; securities market making; proprietary securities trading; and other securities business.

According to the provisions of the Regulations on the Examination and Approval of the Scope of Business of Securities Companies (Provisional)(《證券公司業務範圍審批暫行規定》)(effective from 1 December 2008 and amended on 7 December 2017 and 30 October 2020), securities companies under common control of an entity or individual or securities companies with control relationship shall not engage in the same business, unless effective measures are in place for division of operation regions or client bases and there is no competition between the companies. Unless otherwise specified by the CSRC, the scope of business of a securities company shall be approved by the CSRC upon its establishment in accordance with the statutory requirements, and no more than four types of new businesses shall be approved. A securities company shall obtain approval from the CSRC for any change in its scope of business. Changing business scope includes increasing business types and reducing business types. No more than two additional types of business can be applied for increasing business types at once. Subject to approval by the CSRC, a securities company may operate businesses not prohibited by the Securities Law, the Regulations on Supervision and Administration of Securities Companies and the rules and regulations and normative documents of the CSRC.

Material changes

According to the provisions of the Securities Law, a securities company shall obtain approval from the CSRC if it has any of the following acts:

- change of the scope of business;
- change of major shareholder(s) or actual controller; or

- merger, division, change of incorporation, cessation, dissolution and bankruptcy.

According to the Administrative Provisions on Equities of Securities Companies (《證券公司股權管理規定》)(effective from 5 July 2019 and amended on 18 March 2021 and took effective on 18 April 2021), when there is a change in shareholders holding 5% or more of its equity or a change of actual controlling party, the securities company shall apply to the CSRC for approval pursuant to the law. Where the percentage of equity of the securities company actually controlled by a controlling shareholder or actual controller of the securities company increases to 100%, the securities company shall file for record with the CSRC within five working days from the date when the company registration authority handles the change registration (or from the date of confirmation and registration of rights if the company change registration is not required according to law). Where the change in registered capital or equity or the actual controller holding more than 5% of its equity of a securities company does not fall under the circumstances set out in the preceding statement, the securities companies shall complete change registration formalities with the company registration authority within five working days and file records with the CSRC branch at its locality. This provision shall not apply to the public offering of shares by securities companies and equity changes of securities companies which occur on a stock exchange or the NEEQ.

According to the Announcement of the China Securities Regulatory Commission on Abolishing or Adjusting Certain Administrative Examination and Approval Items for Securities Companies (《關於取消或調整證券公司部分行政審批項目等事項的公告》)(the "**Notification No. 18 [2020]**"), issued by the CSRC and effective on 1 March 2020, the CSRC cancelled or adjusted the approval for six matters according to the Securities Law, including: establishment, acquisition or de-registration of a branch of a securities company; qualifications of directors, supervisors and senior managers of securities companies; the establishment, acquisition or equity participation in securities institutions overseas by securities companies; registration of sponsor institutions; providing securities financing and securities lending services; increasing of the registered capital by the securities company and major adjustment to its equity structure, reduction of the registered capital by the securities company, change of its shareholders holding 5% or more of the shares or its actual controller by the securities companies and modification of the key clauses of articles of association by the securities companies.

Establishment of subsidiaries, branches and securities business units

According to the provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional)(《證券公司設立子公司試行規定》)(amended on 11 October 2012 with immediate effect), subject to the approval of the CSRC, securities companies may establish wholly owned subsidiaries and invest jointly in the establishment of subsidiaries with other investors who meet the requirements for shareholders of securities companies stipulated in the Securities Law. However, a securities company and its subsidiaries or subsidiaries under the control of the same securities company, shall not operate similar businesses having conflicts of interest or which are in competition.

Pursuant to the provisions of the Regulatory Requirements on Branches of Securities Companies (《證券公司分支機構監管規定》)(effective from 15 March 2013 and amended on 30 October 2020 with immediate effect), branches of a securities company refer to branches and securities business units established by such securities company in the PRC for business operation. The establishment, acquisition and de-registration of branches of securities companies are subject to approval from securities regulatory authorities under the CSRC. Securities companies shall meet the following requirements in order to establish or acquire branches: having a sound governance structure and effective internal management and being able to control the risks of their existing branches and the branches to be established; having risk control indicators in compliance with relevant rules for the previous year and those indicators remaining in compliance after the additional branches are established; having not received any administrative or criminal penalties for any material breach of rules or regulations for the past two years and having not had any material regulatory measures imposed on them for the previous year, and not being subject to any investigation for any branch-related activities based on any alleged material breach of rules or regulations; having a secure and stable information technology system and no material information technology incident having occurred during the previous year; existing branches are under effective management; and other prudent requirements stipulated by the CSRC.

According to the Securities Law and the Notification No. 18 [2020], the CSRC cancelled the approval for establishment, acquisition or de-registration of branches of the securities companies.

Entry Requirements for Futures Companies

Establishment

According to the Administrative Regulations on Futures Trading (《期貨交易管理條例》)(amended on 1 March 2017 with immediate effect) and the Administrative Regulations on Futures Trading and the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》)(effective from 29 October 2014, subsequently amended on 7 December 2017 and 4 June 2019), the establishment of futures companies shall be approved by the CSRC, subject to the following conditions:

- the minimum registered capital shall be RMB100 million;
- directors, supervisors and senior management shall be qualified for their positions, while practitioners shall have futures practice qualifications;
- the number of staff with futures practice qualifications shall not be less than 15, and the number of senior management staff with practice qualifications shall not be less than three;
- the articles of association of the company shall comply with the requirements of laws and administrative regulations;
- major shareholders and the de facto controller shall have sustainable profitability, good reputation, and shall not have a record of material violation of laws or regulations in the past three years;
- premises and operation facilities shall be in compliance with requirements;
- sound risk management and internal control systems; and
- other conditions as stipulated by the CSRC.

According to the Provisions on Issues Relating to the Regulation of Controlling Interests and Equity Interests in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》)(effective from 1 June 2008), an entity shall not hold controlling interests and equity interests in more than two futures companies and shall not hold controlling interests in more than one futures company.

Material changes

According to the provisions of the Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), approval of the CSRC shall be obtained for changes of shareholdings in any of the following situations: change of controlling shareholders or the largest shareholder; shareholding of an individual shareholder or the aggregate shareholding of associated shareholders, involving foreign shareholders, is increased to 5% or above. Save as aforesaid, an approval from the local branch office of the CSRC where the futures company is located shall be obtained if the shareholding of an individual shareholder or the aggregate shareholding of associated shareholders in the futures company is to be increased to 5% or above.

According to the Negative List (Edition 2019), the proportion of foreign capital invested in a futures company shall be less than 51%. According to the Measures for Further Opening Up the Financial Sector (《關於進一步擴大金融業對外開放的有關舉措》) promulgated by the State Council's

Financial Stability and Development Committee on 20 July 2019, this limit on the foreign shareholding proportion with respect to futures companies would be removed in 2020. Such limits on the foreign shareholding proportion have been removed in the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2020)(《外商投資准入特別管理措施(負面清單)(2020年版)》)(the "**Negative List (Edition 2020)**"), which took effective on 23 July 2020 and replaced the Negative List (Edition 2019). The current effective regulation is the Special Administrative Measures for Access of Foreign Investment (Negative List) (Edition 2021)(《外商投資准入特別管理措施(負面清單)(2021年版)》)(effective from 1 January 2022)), which replaced the Negative List (Edition 2020) while preserving the removal of such limits.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》)(issued on 23 October 2014 with immediate effect), the change of legal representative, domicile or place of business, or establishment or close of domestic branches, or change in the scope of business of a domestic branch by futures companies is no longer subject to administrative approval of a local branch of the CSRC.

In accordance with the State Council Decisions on the Cancellation and Adjustment of Various Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》)(issued on 24 February 2015 with immediate effect), the appointment of directors, supervisors and senior management of futures companies is no longer subject to qualifications approval of a local branch of the CSRC.

Regulation of operations of Securities Companies

The Company and its subsidiaries primarily engage in securities and related business, including but not limited to, securities brokerage, margin financing and securities lending, securities investment consultation, financial advisory business relating to securities trading and securities investment activities, proprietary securities trading, distribution of financial products of securities investment funds, intermediary business for futures companies, distribution of financial products, stock options market-making, securities underwriting and sponsorship, securities asset management, publicly-raised securities investment and management, private equity investment, and alternative investment.

Securities Brokerage

According to the provisions of the Regulations on Supervision (《證券公司監督管理條例》)(effective from 1 June 2008 and amended on 29 July 2014) and Administration Measures on Securities Brokerage Services (《證券經紀業務管理辦法》)(effective from 28 February 2023), a securities company engaging in securities brokerage business shall perform the following duties in accordance with the law:

- Carrying out marketing activities in a regulated manner;
- Fully understanding investors and performing suitability management obligations;
- Implementing the requirements of the real-name account system;
- Performing anti-money laundering obligations;
- Managing and monitoring investors' opening and use of accounts, fund transfer and securities trading, etc.;
- Ensuring the safety and continuity of the trading of investors;
- Carrying out investor education;

- Preventing illegal and irregular securities trading activities;
- Maintaining the normal market order; and
- Other duties as prescribed by the CSRC, stock exchanges and the China Securities Depository and Clearing Corporation Limited.

In addition, the Administrative Measures on Securities Brokerage Services also established certain requirements for securities companies engaging in securities brokerage services, such as conduct unified management of the accounts, assets, systems, personnel, premises, etc. involved in securities brokerage services, and adopt measures to identify, monitor and dispose of various types of risks, strengthen unified management of marketing activities to prevent practitioners from carrying out business activities in violation of regulations and so on.

Futures Brokerage

The provisions of the Administrative Regulations on Futures Trading (《期貨交易管理條例》) set out a licensing system that applies to the business of futures companies. The CSRC is responsible for the issuance of licenses according to the types of business of commodity futures and financial futures. Apart from domestic futures brokerage business, futures companies may also apply to conduct business of overseas futures brokerage, futures investment consultation and other futures business as specified by the CSRC. Futures trading shall strictly comply with the deposits system. A futures company engaged in brokerage business shall accept orders of clients and trade futures in its own name for clients, and the clients shall be solely liable for the transaction results.

Futures Intermediary Business

According to the Interim Measures on Provision of Intermediary Business to Futures Companies by Securities Companies (《證券公司為期貨公司提供中間介紹業務試行辦法》)(trial from 20 April 2007) and amended on 12 August 2022, a securities company providing intermediary business service to futures companies shall obtain relevant qualifications. Securities companies shall only engage in the provision of intermediary business service to their wholly owned or controlled futures companies, or futures companies with which they are under common control of the same entity. Securities companies and futures companies shall be independent from each other. Securities companies shall employ adequate qualified practitioners to carry out futures intermediary business. Staff participating in the futures intermediary business in securities companies shall not take part in futures trading. Securities companies shall not, directly or indirectly, raise funds or provide guarantees for futures trading clients.

Distribution of Financial Products

According to the Administrative Provisions on the Distribution of Financial Products by Securities Companies (《證券公司代銷金融產品管理規定》)(effective from 12 November 2012 and amended on 20 March 2020), a securities company engaging in the distribution of financial products shall obtain relevant qualifications to carry out the distribution of financial products. Its personnel engaging in the distribution of financial products shall meet the prescribed conditions and comply with the provisions on the administration of securities practitioners. A securities company shall centralise the regulation of distribution of financial products and assess the eligibility of the client. The information given on the financial products shall be comprehensive, fair and accurate. A securities company is also required to set up a client feedback system.

Sales of Securities Investment Funds

According to the provisions of the Measures for Supervision and Administration of Sales Agencies for Publicly-offered Securities Investment Funds (《公開募集證券投資基金銷售機構監督管理辦法》)(effective from 1 October 2020), a securities company shall register with the local office of the CSRC where the company operates and obtain the relevant qualifications before engaging in the sale of securities investment funds. A securities company shall establish a specialised funds sales department, and staff participating in the sale of securities investment funds shall be qualified to carry out such activities. It shall establish and improve the management systems for investors' fund transaction accounts and capital accounts and guarantee the information and capital security of investors.

Securities Investment Consultation

According to the provisions of the Provisional Measures on Management of Investment Consultations on Securities and Futures (《證券、期貨投資諮詢管理暫行辦法》)(effective from 1 April 1998), a company which engages in securities investment consultation business shall obtain the required qualifications and a business license from the CSRC; practitioners of securities investment consultation shall obtain the relevant securities investment consultation qualifications and work under a qualified securities investment consulting institution before engagement in securities investment consultation business.

According to the Regulations on the Securities Investment Advisor Business (Provisional)(《證券投資顧問業務暫行規定》)(effective from 1 January 2011 and latest amended on 30 October 2020), a securities company and its investment advisors shall provide securities investment advisory service in good faith and shall not jeopardise the interests of clients by acting in favor of the securities company and its associates, investment advisors and their related parties, or other particular clients.

The Provisions on the Release of Securities Research Reports (Provisional)(《發佈證券研究報告暫行規定》)(effective from 1 January 2011 and amended on 20 March 2020) stipulate that the publishing of securities research reports by securities companies and securities investment advisory agencies shall abide by laws, administrative regulations and other relevant requirements, follow the principles of independence, objectiveness, fairness and prudence, effectively prevent conflicts of interest, and treat objects under issuance in a fair manner. They shall also be prohibited from disseminating false, untrue and misleading information and from engaging in or participating in insider trading or securities market manipulation.

Margin Financing and Securities Lending

According to the provisions of the Management Measures on Margin Financing and Securities Lending of Securities Companies (《證券公司融資融券業務管理辦法》)(effective from 1 July 2015), a securities company that applies for the qualification to engage in margin financing and securities lending business must satisfy the following conditions:

- it shall have the qualification to engage in the securities brokerage business;
- it shall have a sound system of corporate governance and effective internal controls in place to identify, control and prevent any potential operational risks and internal management risks;
- it shall have not been subject to any investigation or rectification for any breach of rules or regulations by the CSRC during the past two years;
- it shall have a sound financial position, with each of its risk control indicators in compliance with the relevant requirements for the recent two years and its registered capital and net capital are also in compliance with the requirements subsequent to the commencement of the margin financing and securities lending business;
- its clients' assets remain secured and intact with effective measures in place for clients' third-party fund depository, and clients' particulars remain true and intact;
- it shall maintain a comprehensive feedback mechanism that ensures the prompt and proper resolution of any disputes with its clients;

- it shall maintain a client eligibility evaluation system in compliance with the regulations and self-regulatory requirements to ensure that the client is qualified to invest in the relevant products;

- it shall maintain a resilient information security system, with no material incidents during the past year due to any management issues, and the systems designed for the margin financing and securities lending business shall have passed the tests of stock exchanges and securities registration and clearing institutions;

- it shall have an appropriate number of senior management and professionals who are responsible for the margin financing and securities lending business; and

- any other conditions stipulated by the CSRC.

Securities companies engaging in margin financing and securities lending shall open various accounts in their own name at securities registrars, including a special securities lending account, margin guarantee account, margin settlement account and margin capital settlement account. Such securities companies shall also open accounts at commercial banks, such as a special margin financing account and margin capital guarantee account. Securities companies shall, with reference to third-party custody of clients' transaction settlement funds, enter into a margin custody agreement with their clients and commercial banks. The capital and securities provided by securities companies to their clients are limited to those capital and securities in the special margin financing account and special securities lending account.

Before providing margin financing and securities lending service to its clients, a securities company shall collect information about its clients, including making credit investigation into its clients, knowing their identities, property status, income situations, securities investment experience, risk appetites and records of honesty and compliance. It shall also deal with client suitability management properly and keep records of such information in written or electronic form. A securities firm shall not open a credit account for anyone who meets any of the following conditions: failure to submit the required information; having less than half a year experience in securities trading; lacking the adequate risk bearing capability; less than RMB0.5 million of its average daily securities assets for the most recent 20 trading days; having records of major breaches of contracts; or being the shareholder or connected person of the securities company.

The term for margin financing and securities lending agreed between securities companies and their clients shall not exceed the time limit permitted by the relevant stock exchange. Securities companies may negotiate with their clients in respect of the rates at which the margin financing and securities lending services will be provided.

Amounts attributed to the margin financing and securities lending business by a securities firm shall not exceed four times of its net capital. A comprehensive management system, operating procedures, as well as a risk identification, evaluation and control system shall also be established.

Collateralised Stock Repurchase

According to the Measures on Collateralised Stock Repurchase and Registration and Settlement Business (《股票質押式回購交易及登記結算業務辦法》)(effective from 30 June 2017, and amended in 2018) promulgated jointly by CSDC and the Shanghai Stock Exchange and the Shenzhen Stock Exchange as amended and in effect as at 12 March 2018, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in collateralised stock repurchase. Securities companies shall establish client qualification examination systems and perform due diligence with respect to their clients. Examination contents shall include identity, financial status, business status, credit status, guarantee status, usage of funds, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks, and shall require the clients to sign the risk disclosure statement.

Securities Repurchase

According to the Measures on Securities Repurchase and Registration and Settlement Business (《約定購回式證券交易及登記結算業務辦法》) promulgated jointly by CSDC and each of the Shanghai Stock Exchange and the Shenzhen Stock Exchange on 10 December 2012, respectively, the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall implement the trading permissions management of securities companies that participate in securities repurchase. Securities companies shall establish a client qualification examination system. Examination contents shall include credit status, asset scale, risk tolerance and cognition of the securities market. Securities companies shall provide to their clients a comprehensive introduction of the business rules and a full disclosure of the risks.

Secondary Offering Business

Pursuant to the provisions of the Trial Measures on Supervision and Administration of the Secondary Offering Business (《轉融通業務監督管理試行辦法》)(implemented on 26 October 2011 and latest amended on 30 October 2020), a secondary offering business refers to a business in which a securities finance company lends its funds or securities owned by itself or legally raised and its securities to a securities company for conducting margin financing and securities lending activities. To conduct a secondary offering business, a securities finance company shall, in its own name, open a securities account, a guaranteed securities account and a securities settlement account specific for a secondary offering business with the securities registration and settlement authority. A securities finance company shall also set up a client credit assessment mechanism to evaluate the credit of securities companies and determine and adjust the credit line based on the evaluation. Furthermore, a securities finance company shall charge deposits at a certain rate from securities companies for the secondary offering business.

Proprietary Securities Trading

Provisions of the Regulations on Supervision and Management of Securities Companies and the Guidelines on Proprietary Business of Securities Companies (《證券公司證券自營業務指引》)(effective from 11 November 2005) and the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》)(effective from 29 July 2014) stipulate that securities companies engaged in proprietary securities trading shall be limited to the trading of publicly offered stocks, debentures, warrants, securities investment funds or other securities approved by the securities regulatory authorities of the State Council. A securities company engaged in a proprietary securities trading business shall be registered under the name of the proprietary securities account holder. Risk control indicators, such as the proportion of the total value of proprietary securities to the net capital of the securities company, the proportion of the value of a single security to the net capital of the securities company, and the proportion of the amount of a single security to the total amount of issued securities, shall each comply with the regulations of the CSRC.

According to the List of Securities Investment Products for the Proprietary Business of Securities Companies (《證券公司證券自營投資品種清單》), which is the Appendix to Regulations on Investment Scopes of Proprietary Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》)(effective from 1 June 2011 and amended on 16 November 2012 and 20 March 2020), securities companies engaged in proprietary securities trading business are permitted to invest in the following securities:

- securities that have been or may be legally listed, traded and transferred on a domestic stock exchange;
- securities that have been listed and transferred on the NEEQ;

- private placement notes that have been or may be legally listed and transferred on qualified regional equity trading markets, and stocks that have been listed and transferred on qualified regional equity trading markets;

- securities that have been or may be legally traded on the domestic interbank market; and

- securities issued with the approval of the national financial regulatory authority or its authorised bodies or after filing with the national financial regulatory authority or its authorised bodies and traded over the counter at domestic financial institutions.

Securities Asset Management

According to the Administrative Measures on Private Offering Asset Management Business of Securities and Futures Business Organisations (《證券期貨經營機構私募資產管理業務管理辦法》), which was latest amended on 12 January 2023 and took effective on 1 March 2023, and the Circular on Strengthening Supervision on Asset Management Business of Securities Companies (《關於加強證券公司資產管理業務監管的通知》) (effective from 14 March 2013), securities and futures business organisation engaging in private offering asset management business shall be subject to approval by the CSRC pursuant to the law, unless otherwise stipulated by laws, administrative regulations and the CSRC. Securities companies may set up a single asset management plan for a single investor, or set up a collective asset management plan for multiple investors. The number of investors of a collective asset management plan shall not be less than two, and shall not exceed 200.

The Administrative Regulations on Asset-backed Securitisation of Securities Companies and Subsidiaries of Fund Management Companies (《證券公司及基金管理公司子公司資產證券化業務管理規定》) (promulgated on 19 November 2014 with immediate effect) allows securities companies and subsidiaries of fund management companies which are qualified for client asset management to conduct the asset-backed securitisation business.

Pursuant to the Interim Provisions on Operation and Management of Private Asset Management Business of Securities and Futures Operation Institutions (《證券期貨經營機構私募資產管理業務運作管理暫行規定》) (promulgated on 14 July 2016 with effect from 18 July 2016), securities companies (i) shall neither sell asset management plans in breach of rules, nor engage in such acts as inappropriate publicity, misleading or deceiving investors, or in any means guaranteeing to the investors that their principal will not suffer any loss or promising a minimum return, (ii) shall establish a structured asset management plan and shall not violate the principle of "sharing of interests and risks and matching risks with returns", (iii) shall not entrust any individual or unqualified third party with the provisions of investment advice, and managers shall not be exempted from legal liability on the grounds of such entrustment, and (iv) shall not engage in or participate in private asset management business with a "cash-pooling feature".

Management of Publicly Offered Securities Investment Funds

Pursuant to the Securities Investment Funds Law (《證券投資基金法》) and the Measures for Supervision and Administration of Publicly Offered Securities Investment Fund Managers (《公開募集證券投資基金管理人監督管理辦法》) (issued on 20 May 2022 and came into effect from 20 June 2022), publicly offered securities investment fund managers shall be fund management companies or other asset management agencies, including asset management subsidiaries of securities companies, approved by the CSRC and obtained the qualification for management of publicly offered funds. Any other asset management agencies applying for the qualification for publicly offered fund management business shall comply with the following conditions:

- It shall have standardized corporate governance, sound internal control mechanism and good risk control; its management capacity, asset quality and financial status shall be good, and it shall have good business conditions in the latest three years and the capability of continuous profitability; its asset-liability and leverage levels shall be appropriate, and it shall have the capital strength compatible with its publicly offered fund management business;

- It shall have good integrity and compliance records and have no record of major violation of laws and regulations or major dishonesty record in the latest three years; it shall not have been given criminal punishment due to an intentional crime and it has not elapsed since the completion of the criminal punishment; it shall not be under investigation or under rectification for being suspected of a major violation of laws and regulations; its main regulatory indicators in the latest 12 months shall comply with the regulatory requirements;

- It shall have three years or more of experience in securities asset management, and the securities products under its management shall operate in a standardized and stable manner and perform well, and there shall be no major irregularities or risk events;

- It shall have internal management system, business premises, security facilities, system equipment and other business-related facilities that satisfy the relevant requirements;

- It shall have directors, supervisors and senior executives in compliance with laws, administrative regulations and the provisions of the CSRC as well as staff members for the research, investment, operation, sales and compliance positions relating to the publicly offered fund management business, and the number of employees who have obtained the qualification for fund practice shall not be less than 30 in principle; its organizational structure and the division of posts shall be reasonably established with clear responsibilities;

- It shall have a clear and effective restraint mechanism for maintaining the independence of the publicly offered fund management business, preventing risk transmission and improper tunneling, etc.; and

- Other conditions as prescribed by the CSRC.

A publicly offered fund manager shall, in accordance with the provisions of the CSRC, establish an internal control mechanism and a risk management system with comprehensive coverage, scientific and reasonable, rigorous control and efficient operation, conduct centralized and unified management of publicly offered funds management and other business, establish a firewall mechanism for personnel, business, premises and other aspects, maintain legal and compliant business operation and sound and effective internal control.

The Securities Investment Funds Law also stipulates matters such as registration for mutual funds, trading of fund units, scope of investment fund and its restriction, protection of fund holders' rights and information disclosure, etc.

The Administrative Measures on Operations of Publicly Offered Securities Investment Funds (《公開募集證券投資基金運作管理辦法》) which came into effect on 8 August 2014 has set out provisions on public fund offering, the subscription, redemption and trading of fund units, the investment of fund assets, the distribution of fund earnings, the convening of meetings of unitholders, and other fund operational activities.

The Administrative Measures on Information Disclosure for Publicly Offered Securities Investment Funds (《公開募集證券投資基金信息披露管理辦法》)(which came into effect on 1 September 2019 and was amended on 20 March 2020) regulates the category of the information that the fund information disclosure obligors of a publicly offered fund should disclose, and the format, media, methods and timeliness requirements thereto.

The Guidelines on the Side-pocket Mechanism of Publicly Offered Securities Investment Funds (trial version)(《公開募集證券投資基金側袋機制指引(試行)》), which will come into effect on 1 August, 2020, regulates side-pocket mechanism for publicly offered securities investment funds, for the purpose to effectively isolate and resolve risks and ensure that investors are treated fairly.

Private Equity Fund Business

Pursuant to the Provisions of Management Practices for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》)(as promulgated on 30 December 2016 with immediate effect) issued by the SAC, securities companies which engage in private equity fund business shall establish a private equity fund subsidiary in accordance with the requirements of the relevant regulatory authorities. If a private equity fund subsidiary needs special purpose vehicles ("**SPVs**") for purposes such as fund management, it shall hold 35% or more equity interests or capital investment in, and have management control in, such SPV; a fund management SPV established under the private equity fund subsidiary shall only manage the private equity funds for which the fund management SPV was established. Business of each affiliated SPV shall be explicit and non-repetitive.

The private equity fund subsidiary and the fund management SPVs under it shall invest their own funds in the private equity fund established by the fund management SPV. The amount of investment in respect of each of the funds shall not exceed 20% of the total amount of such fund.

Alternative Investment

According to the Regulations on Investment Scopes of Securities Investment and Trading Business of Securities Companies and Relevant Matters (《關於證券公司證券自營業務投資範圍及有關事項的規定》) and the Management Criteria for Alternate Investment Subsidiaries of a Securities Firm (《證券公司另類投資子公司管理規範》)(promulgated on 30 December 2016 with immediate effect) securities companies may establish alternative investment subsidiaries to engage in investment on financial products which are excluded on the List of Securities Investment Products for the Securities Investment and Trading of Securities Companies (《證券公司證券自營投資品種清單》). Alternative subsidiaries shall not engage in businesses other than investment businesses; securities companies shall explicitly separate the business scopes of alternative subsidiaries and other subsidiaries to avoid conflicts of interests and transfer of benefits; alternative subsidiaries shall not be financed, shall not provide guarantees and loans, and shall not act as a contributory which bears joint liability of an investee enterprise.

Securities Underwriting and Sponsorship

According to the regulations of the Administrative Measures for the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》)(effective from 12 June 2020 and amended on 17 February 2023 with effect from the same date), securities companies shall apply for the sponsoring institution qualification from the CSRC to sponsor the offering and listing business of securities. Issuers shall employ securities companies which have obtained sponsoring institution qualification to perform the sponsorship duties for the following matters: initial public offerings, public issuance of shares to non-specific qualified investors and list the shares on the Beijing Stock Exchange, issuance of new shares or convertible corporate notes by listing companies, public issuance of depository receipts, and other conditions identified by the CSRC.

Any securities firm applying for sponsoring institution qualification shall meet the following requirements:

- its registered capital and net capital shall comply with relevant requirements;

- it shall have comprehensive systems of corporate governance and internal control and indicators of risk control in line with relevant regulations;

- its sponsor business shall have sound mechanisms of business procedures, internal risk assessment and control, as well as a reasonable internal structure, proper research and sales capabilities, and other background support;

- it shall have a strong sponsor business team, with reasonable professional structure, and the number of professionals shall not be less than 35, among which, the number of personnel who have engaged in sponsor-related businesses during the past three years shall not be less than 20;

- the number of its professionals who have qualified as sponsor representatives shall not be less than four;

- it shall not have been punished due to grave violation of any law or regulation in the past two years, imposed with any major regulatory measures in the past year, or investigated by any relevant agency or industrial self-disciplinary organization due to grave violation of any law or regulation; and

- it shall meet other requirements of the CSRC.

In addition, the Views of the CSRC on Further Promoting IPO Reform (《中國證監會關於進一步推進新股發行體制改革的意見》)(promulgated on 30 November 2013 with immediate effect) further stipulated that sponsor institutions and securities service institutions shall undertake in public offering and listing documents that if false, or misleading statements are made, or a material omission occurs in the documents issued, prepared and produced by issuers for initial public offerings which result in losses to investors, then sponsor institutions and securities service organisations must compensate the losses of investors in accordance with the law.

According to the Administrative Measures for the Issuance and Trading of Corporate Notes (《公司債券發行與交易管理辦法》)(effective from 15 January 2015 and amended on 20 October 2023), the issuance of corporate notes shall be underwritten by securities companies with qualification to engage in securities underwriting business. When underwriting corporate notes, underwriters shall be in compliance with the Administrative Measures for the Issuance and Trading of Corporate Notes (《公司債券發行與交易管理辦法》) and applicable regulations on due diligence, risk control and internal control issued by the CSRC and the SAC, to formulate a strict risk management system, and to internal control system and enhance pricing and placing management.

Lead Brokerage in the National Equities Exchanges and Quotations

According to the Administrative Measures on National Equities Exchange and Quotations Company Limited (Provisional)(《全國中小企業股份轉讓系統有限責任公司管理暫行辦法》)(effective from 31 January 2013 and amended on 7 December 2017), securities companies may act as lead broker in the NEEQ. The lead brokerage business includes recommending the listing of shares of joint stock companies, continuously supervising listed companies, trading shares of joint stock companies on behalf of investors, providing market-making service for the transfer of shares, and other businesses as specified by the National Equities Exchange and Quotations Company Limited.

Under the supervision of the National Equities Exchange and Quotations Company Limited, lead brokers, law firms, accounting firms and other institutions and personnel providing services in relation to the transfer of shares shall act in good faith and diligently perform their legal duties in strict compliance with laws, regulations and industry standards, and shall also be responsible for the truthfulness, accuracy and completeness of documents they issue.

Over-the-Counter Market Business

As the provisions of the Administrative Measures of Securities Companies on Over-the-Counter Market (for Trial Implementation)(《證券公司櫃檯市場管理辦法(試行)》)(effective from 15 August 2014) stipulate, securities companies shall engage in over-the-counter business in accordance with the provisions and be subject to the governance of the SAC. Apart from private equity products which are subject to prior approval and filing as explicitly required by financial regulatory authorities, private equity products issued, sold and transferred by securities companies in over-the-counter markets are subject to filing after the issuance, selling and transfer. Products issued, sold and transferred by securities companies in over-the-counter markets include but are not limited to: products such as asset management plans and corporate debt financing instruments established or underwritten by securities companies or their subsidiaries by way of private placing; products established by other institutions such as banks, insurance companies and trust companies and issued, sold and transferred by securities companies; and financial derivatives and other products as allowed by the CSRC and the SAC.

Corporate Governance and Risk Control

Corporate Governance and Risk Control of Securities Companies

Corporate governance

Securities companies shall comply with the corporate governance requirements regarding the composition, operation, convening and voting procedures of shareholders' meetings, the board of directors and the supervisory committee as set out in the Company Law, the Securities Law, the Regulations on Supervision and Management of Securities Companies (《證券公司監督管理條例》), the Rules for Governance of Securities Companies (《證券公司治理準則》)(effective from 1 January 2013 and amended on 20 March 2020) and the Guidelines on the Internal Control of Securities Companies (《證券公司內部控制指引》)(effective from 15 December 2003).

Securities companies shall establish a sound corporate governance structure. The corporate governance structure of securities companies includes proper decision-making processes and rules of procedures, a highly efficient and rigorous business operating system, a sound and effective internal control and feedback system, and effective incentive and restraint mechanisms. The boards of supervisors and independent directors of securities companies shall fully exercise their supervising functions to avert the risks of manipulation by substantial shareholders or control by insiders.

A securities company that engages in two or more businesses in securities brokerage, asset management, margin financing and securities lending, securities underwriting and sponsoring shall have a remuneration and nomination committee, an audit committee and a risk control committee under its board of directors to perform the duties and exercise the rights as specified in the articles of association of the securities company. The persons in charge of the remuneration and nomination committee and the audit committee shall be independent directors.

The Regulatory Measures on Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》)(amended on 19 October 2012 with immediate effect), specifies the requirements on the qualifications of directors, supervisors and senior management. Each of them shall obtain qualifications approved by the securities regulatory authorities before they hold the post, which was replaced by the Measures for the Supervision and Administration of Directors, Supervisors, Senior Executives and Practitioners of Securities Fund Operators (《證券基金經營機構董事、監事、高級管理人員及從業人員監督管理辦法》)(Promulgated on 18 February 2022 and came into effect on 1 April 2022, the "**CSRC Decree No. 195**").

According to the Securities Law and the Notification No. 18 [2020] and the CSRC Decree No. 195, the CSRC cancelled qualification approvals of directors, supervisors and senior managers of securities companies, the appointment of which shall be filed with the local office of the CSRC.

Risk control

Pursuant to the Administrative Measures for Risk Control Indicators of Securities Companies (《證券公司風險控制指標管理辦法》) (effective from 20 March 2020), a securities company shall calculate risk control indicators such as its net capital, risk coverage ratio, capital leverage, liquidity coverage ratio and net stable funding ratios and prepare the calculation sheets of net capital, risk capital reserves, total on-balance sheet and off-balance sheet assets, liquidity coverage rate, net stable funding rate and risk control indicators in accordance with relevant provisions and in compliance with the principle of prudence and the principle of substance over form. The Administrative Measures for Risk Control Indicators of Securities Companies stipulates a warning standard and a minimum regulatory standard for risk control indicators that securities companies are required to comply with. The CSRC may make adjustments to the standards for risk control indicators, calculation requirements and the ratio of risk capital reserves of a particular business according to the governance structure, the internal control level and the status quo of risk control of the securities companies.

On 1 October 2016, CSRC promulgated the Provisions on the Calculation Standard for Risk Control Indicators of Securities Companies (《證券公司風險控制指標計算標準規定》), which was amended 23 January 2020 and came into effect on 1 June 2020 and provides different basis of calculation for different risk capital reserves of securities companies based on their different businesses and types of securities companies.

Pursuant to the Norms for the Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) (promulgated on 30 December 2016 with immediate effect), securities companies shall implement comprehensive risk management to avoid risks such as liquidity risks, market risks, credit risks, operation risks and reputation risks in business operation, shall establish and improve a comprehensive risk management system that is in line with their development strategies, including feasible management systems, a sound organisational framework, a reliable information technology system, a quantitative risk indicators system, a team of professionals and an effective risk response mechanism and shall evaluate regularly the comprehensive risk management system and improve risk management promptly based on the evaluation results.

Pursuant to the provisions of the Guidelines for the Liquidity Risk Management of Securities Companies (《證券公司流動性風險管理指引》) (effective from 30 December 2016 and amended on 20 July 2023), securities companies shall strengthen liquidity risk management and establish a sound liquidity risk management system for effective identification, measurement, monitoring and control of liquidity risks.

Pursuant to the provisions of the Regulations on Risk Settlement of Securities Companies (《證券公司風險處置條例》) (effective from 6 February 2016), the securities regulatory authorities of the State Council shall organise, coordinate and supervise the risk settlement of securities companies. In the event that risk control indicators do not meet relevant requirements or there are situations that may impact sustainable business operation or any major risk is found, the securities regulatory authorities of the State Council may take risk settlement measures such as rectification, custody, takeover, administrative restructuring, revocation, bankruptcy, liquidation and reorganisation, etc.

Pursuant to the Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies (《證券公司和證券投資基金管理公司合規管理辦法》) (effective from 1 October 2017 and amended on 20 March 2020), the compliance management of securities companies shall cover all businesses, departments, branches, subsidiaries at all levels and all staff, and shall be carried out throughout various stages such as decision-making, implementation, supervision and feedback. The securities company shall have a compliance director, who shall, as a senior manager, directly report to the board of directors and examine, supervise and inspect the operation compliance and management activities of the securities company as well as the staff's practices.

Classified regulation

Pursuant to the provisions of the Regulations on Classification of Securities Companies (《證券公司分類監管規定》) (amended on 14 May 2010, 6 July 2017 and 10 July 2020), the CSRC classifies securities companies into five types and eleven categories, as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the risk control capability, continuous compliance and business development of securities companies for prudent regulation purpose. "The regulatory points" system is one of the systems adopted by the CSRC to assess the continuous compliance of securities companies: certain incidents leading to the imposition of penalties will result in the CSRC deducting the corresponding amount of "regulatory points", which may ultimately have negative effects on the securities companies' regulatory rating. However, when determining the regulatory rating of a securities company, the CSRC will not only consider the deduction in regulatory points but will also take into consideration its risk management capability (mainly assessed on the basis of the securities companies' capital adequacy, corporate governance and continuous compliance management, comprehensive risk control, the safety of its IT system, and protection of clients' interests and information disclosure), continuous compliance (evaluated based on the criminal punishment measures taken by the judiciary, the administrative punishment measures, administrative supervision measures taken by the CSRC and its agencies and disciplinary punishment, self-discipline management measures taken by the securities and futures industry self-discipline organization) and business development (such as brokerage business, investment banking business, assent management business, comprehensive strength and innovation capacity) and assess the condition of the securities companies as a whole.

Pursuant to the principle of classified regulation, the CSRC sets up different standards on risks control indicators and calculating proportions for different types of securities companies and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections.

Corporate Governance and Risk Control of Futures Companies

Corporate governance

The provisions of the Supervisory and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》) (effective from 4 June 2019) stipulate that the CSRC implements management system on the qualifications of directors, supervisors, senior management and other futures practitioners of futures companies. The business, personnel, assets, and finance of a futures company shall be strictly separated from those of its controlling shareholders and de facto controller, and they should have independent operations and accounting; a futures company shall have a board of supervisors or supervisors, and shall appoint a chief risk officer, etc.

The Management Measures on Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》) (promulgated on 15 January 2021 and amended on 12 August 2022) further strengthens the management of qualifications of the directors, supervisors and senior management of futures companies.

Risk control

According to the Supervision and Administrative Measures for Futures Companies (《期貨公司監督管理辦法》), the Administrative Measures on Futures Trading (《期貨交易管理條例》), and the Administrative Measures for Risk Monitoring Indicators of Futures Companies (《期貨公司風險監管指標管理辦法》) (promulgated on 18 April 2017 and amended on 12 August 202), futures companies shall establish effective operations systems and procedures related to risk management, internal control and futures margin depository so as to effectively isolate risks among different business as well as to ensure the safety of clients' assets and transactions. A futures company engaging in futures brokerage and other futures business at the same time shall strictly implement the systems for the separation of business and capital, while mixed operations are prohibited. Futures companies shall maintain a chief risk officer responsible for monitoring and inspecting compliance and risk management in its operation and management. The CSRC may dynamically adjust the standard of futures companies' risk management indicators and its calculation requirements based on industry opinions, together with consideration of the development of the futures market and futures industry with respect to the principle of prudent supervision.

Classified regulation

Pursuant to the provisions of the Regulations on Classification of Futures Companies (《期貨公司分類監管規定》) (effective from 12 April 2011 and amended on 15 February 2019 and 12 August 202), the CSRC classifies futures companies into five types and eleven categories, as A (AAA, AA, A), B (BBB, BB, B), C (CCC, CC, C), D and E, based on the risk management capability, the capability of serving the real economy, market competitiveness and continuous compliance of futures companies for prudent regulation purposes. According to the principle of classified regulation, the CSRC sets up various standards on margin proportions of futures investors for different types of futures companies and treats them differently in respect of regulation resource allocation and the frequency of on-site and off-site inspections, and stipulates different risk capital provision computation ratios for different types of futures companies.

Corporate Governance and Risk Control of Asset Management Company

Corporate governance

Pursuant to provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional) (《證券公司設立子公司試行規定》) (as amended on 11 October 2012), as the subsidiary of a securities company, an asset management company shall establish a sound corporate governance structure, sound risk management system, compliance management system and internal control system, and a securities company shall not take advantage of its capacity as controlling shareholder to damage the legal rights and interests of its asset management subsidiaries and their clients. Proper Chinese Wall systems should be established between a securities company and its asset management subsidiaries to avoid potential risk transference or conflicts of interests.

Risk control

In accordance with provisions of the Administrative Measures on Private Offering Asset Management Business of Securities and Futures Business Organisations (《證券期貨經營機構私募資產管理業務管理辦法》) (latest amended on 12 January 2023 and took effective on 1 March 2023), securities companies shall comply with prudent operation rules, formulate scientific and reasonable investment strategies and risk management system, effectively prevent and control risks, and ensure that their business matches their capital, management capacity and risk control level, and shall implement centralised operation management, establish and improve upon internal control and compliance management system, adopt effective measures, manage private offering asset management business and other businesses separately, control improper flow and use of sensitive information, and prevent insider trading, use of undisclosed information for trading, conflict of interest and profit tunneling.

Pursuant to Regulations on the Operation and Management of Private Asset Management Plans for Securities and Futures Operators (《證券期貨經營機構私募資產管理計劃運作管理規定》) (latest amended on 12 January 2023 and took effective on 1 March 2023), a securities and futures operator shall prepare an investment description when raising funds under an asset management scheme. The risk disclosure shall have targeted content and a clear, definite and understandable statement, and fully disclose various risks, such as the market risk, credit risk, liquidity risk, operational risk, related-party transaction risk and specific risk in regard to the employment of investment consultants in an eye-catching manner.

Corporate Governance and Risk Control of Sponsoring Institution

Corporate governance

Pursuant to provisions of the Regulations on Formation of Subsidiaries of Securities Companies (Provisional)(《證券公司設立子公司試行規定》)(as amended on 11 October 2012), as the subsidiary of a securities company, a company engaged in securities sponsoring and underwriting business shall establish a sound corporate governance structure, sound risk management system, compliance management system and internal control system, and a securities company shall not take advantage of its capacity as controlling shareholder to damage the legal rights and interests of its subsidiaries and their clients. Proper Chinese Wall systems should be established between a securities company and its subsidiaries to avoid potential risk transference or conflicts of interests.

Risk control

According to provisions of the Measures for the Administration of the Sponsorship of the Offering and Listing of Securities (《證券發行上市保薦業務管理辦法》)(effective from 14 June 2009 and amended on 7 December 2017, 12 June 2020 and 17 February 2023), a sponsoring institution shall establish a sound internal control system for sponsorship and establish as well as improve the due diligence system, guidance system, internal auditing system for documents of application, system of continuing supervision over the issuer after the listing of securities, continuing training system for sponsor representatives and sponsorship related personnel as well as a system for work paper, and maintain separate work papers for sponsorship work related to each project.

Corporate Governance and Risk Control of Private Equity Subsidiaries

Corporate governance

Pursuant to provisions of the Regulations for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》), securities companies shall strengthen employees management and avoid moral risks. Employees of securities companies shall not serve as directors, supervisors, senior management members or investment practitioners members concurrently for a private equity fund subsidiary and its SPV affiliates if conflicts of employees between private equity fund subsidiaries, securities companies and other subsidiaries arise. For employees taking up the above duties concurrently, securities companies shall establish a strict and effective internal control mechanism to avoid conflicts of interests and moral risks arising. Securities companies, private equity subsidiaries and their SPV affiliates, private equity funds and other subsidiaries of securities companies shall establish an effective information isolation mechanism, strengthen the isolation, monitoring and management of sensitive information and prevent dissemination and improper use of sensitive information between each business, so as to prevent insider trading and the risk of benefit transfer.

Risk control

Pursuant to provisions of the Regulations for Private Equity Fund Subsidiaries of Securities Companies (《證券公司私募投資基金子公司管理規範》), securities companies should integrate subsidiaries' compliance and risk management into the security companies' comprehensive risk management system, in order to avoid private equity fund subsidiaries related risks such as compliance risks, liquidity risks, market risks, credit risks and operation risks.

Other Regulations

Foreign Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible. SAFE, under the authority of the PBOC, is responsible for the administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

According to provisions of the Regulations on the Foreign Exchange Control of the People's Republic of China (《中華人民共和國外匯管理條例》)(the "**Foreign Exchange Control Regulations**"), (amended on 5 August 2008 with immediate effect), international payments and transfers are classified into current account items and capital account items. In the PRC, current international payments and transfers are not subject to approval from foreign exchange administration, while capital account items are.

According to the Foreign Exchange Control Regulations, current account foreign exchange income may, in accordance with the relevant requirements of the state, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business. Where any foreign exchange income on capital account shall be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under state provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, with the provision of valid receipts and proof of transactions. Foreign invested enterprises which need foreign exchange for the distribution of profits to shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may with the provision of shareholders' resolutions of such PRC enterprises or board resolutions on the distribution of profits, and with the submission of other required supporting documents, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Convertibility of foreign exchange in respect of capital account items, such as private equity investment and capital contribution, is generally subject to restriction, and applicable prior approval from SAFE or the relevant branch.

According to the Foreign Exchange Management Regulations and the Circular of the State Administration of Foreign Exchange on Distributing the Administrative Measures for Registration of Foreign Debts (《國家外匯管理局關於發佈<外債登記管理辦法>的通知》)(promulgated on 28 April 2013), the state exercises scale management on administering foreign debts. Foreign currency borrowings shall be handled in accordance with relevant requirements of the state and registered as foreign debts with the relevant foreign exchange administrative authority.

On 9 June 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》)(the "**SAFE Circular 16**"). The SAFE Circular 16 unifies the Discretional Foreign Exchange Settlement for all the domestic institutions. The Discretional Foreign Exchange Settlement refers to foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretional Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretional Foreign Exchange Settlement of foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. Foreign exchange incomes of capital accounts and capital in Renminbi obtained by foreign-invested enterprises from foreign exchange settlement shall not be used for the following purposes:

- directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;

- directly or indirectly used for investment in securities or financial schemes other than bank-guaranteed products unless otherwise provided by relevant laws and regulations;

- used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and

- used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

Information Disclosure

The Notice on the Relevant Issues Regarding Information Disclosure of Securities Companies (《關於證券公司信息公示有關事項的通知》)(effective from 25 July 2006) sets forth the specific requirements on information disclosure by securities companies, including methods, requirements and contents of information disclosure.

Provisions on Strengthening the Supervision and Administration of Listed Securities Companies (《關於加強上市證券公司監管的規定》)(amended on 30 June 2010 and 17 September 2020 with immediate effect), requires timely disclosure of regular reports and interim reports by listed securities companies within the prescribed period. Meanwhile, it requires that listed companies shall establish a sound information management system in accordance with the characteristics of the securities industry in the PRC, their practices and general regulations regarding information disclosure by listed companies.

HONG KONG REGULATORY ENVIRONMENT

Introduction

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong and it is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

The banking sector in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and the powers and functions ascribed by the Banking Ordinance to the Monetary Authority. The Banking Ordinance (Cap. 155) of Hong Kong provides that only authorized institutions (that is, banks which have been granted a banking licence ("**licence**") by the Monetary Authority may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("**authorized institutions**").

Types of Regulated Activities

The SFO provides a single licensing regime under which a person needs only one license to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are twelve types of regulated activities, namely:

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management;

Type 10: providing credit rating services;

Type 11: dealing in OTC derivative products or advising on OTC derivative products [Note 1]; and

Type 12: providing client clearing services for OTC derivative transactions [Note 2].

Notes:

1. Not yet in operation.

2. The new Type 12, Part 1, Schedule 5 added by the Securities and Futures (Amendment) Ordinance 2014 (6 of 2014) came into operation on 1 September 2016, in so far as it relates to paragraph (c) of the new definition of excluded services in Part 2 of Schedule 5 of the SFO.

Supervision of Authorized Institutions in Hong Kong

The provisions of the Banking Ordinance are implemented by the Monetary Authority, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. The Monetary Authority supervises authorized institutions through, *inter alia*, a regular information gathering process, the main features of which are as follows:

(1) each authorized institution must submit a monthly return to the Monetary Authority setting out the assets and liabilities of its operations in Hong Kong and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches, although the Monetary Authority has the right to allow returns to be made at less frequent intervals;

(2) the Monetary Authority may order an authorized institution, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the authorized institution concerned. Such information shall be submitted within such period and in such manner as the Monetary Authority may require. The Monetary Authority may in certain circumstances also require such information or any return submitted to it to be accompanied by a certificate of the authorized institution's auditors (approved by the Monetary Authority for the purpose of preparing the report) confirming compliance with Banking Ordinance and certain matters;

(3) authorized institutions may be required to provide information to the Monetary Authority regarding companies in which they have an aggregate 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller, a name with common features or a concert party arrangement to promote the authorized institution's business;

(4) in addition, authorized institutions are obliged to report to the Monetary Authority immediately of their likelihood of becoming unable to meet their obligations or of the commencement of material civil proceedings applicable only to authorized institutions incorporated in Hong Kong;

(5) the Monetary Authority may direct an authorized institution to appoint an auditor to report to the Monetary Authority on the state of affairs and/or profit and loss of the authorized institution or the adequacy of the systems of control of the authorized institution or other matters as the Monetary Authority may reasonably require;

(6) the Monetary Authority may, at any time, with or without prior notice, examine the books, accounts and transactions of any authorized institution, and in the case of an authorized institution incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such institution; such inspections are carried out by the Monetary Authority on a regular basis; and

(7) authorized institutions are required to give written notice to the Monetary Authority immediately of any proposal to remove an auditor before the expiration of his term of office or replace an auditor at the expiration of his term of office.

Exercise of Powers over Authorized Institution

The Monetary Authority may, after consultation with the Financial Secretary, exercise certain powers over the conduct of authorized institutions in any of the following circumstances:

(1) when an authorized institution informs the Monetary Authority that it is likely to become unable to meet its obligations, that it is insolvent, or that it is about to suspend payment;

(2) when an authorized institution becomes unable to meet its obligations or suspends payment;

(3) if after an examination or investigation, the Monetary Authority is of the opinion that an authorized institution:

  (i) is carrying on its business in a manner detrimental to the interests of its depositors or potential depositors or of its creditors or of holders or potential holders of stored value facility issued by it or the issue of which is facilitated by it;

  (ii) is insolvent or is likely to become unable to meet its obligations or is about to suspend payment;

  (iii) has contravened or failed to comply with any of the provisions of the Hong Kong Banking Ordinance; or

  (iv) has contravened or failed to comply with any condition attached to its licence or certain conditions in the Banking Ordinance; and

(4) where the Financial Secretary advises the Monetary Authority that he considers it in the public interest to do so.

In any of the circumstances described above, the Monetary Authority, after consultation with the Financial Secretary, may exercise any of the following powers:

(1) to require the authorized institution, by notice in writing served on it, forthwith to take any action or to do any act or thing whatsoever in relation to its affairs, business and property as the Monetary Authority may consider necessary;

(2) to direct the authorized institution to seek advice on the management of its affairs, business and property from an adviser appointed by the Monetary Authority;

(3) to assume control of and carry on the business of the authorized institution, or direct some other person to assume control of and carry on the business of the authorized institution; or

(4) to report to the Chief Executive in Council in certain circumstances (in which case the Chief Executive in Council may exercise a number of powers including directing the Financial Secretary to present a petition to the Court of First Instance for the winding-up of the authorized institution).

Revocation and Suspension of Banking Licence

The Monetary Authority also has powers to recommend the revocation or suspension of a licence. Both powers are exercisable after consultation with the Financial Secretary and with a right of appeal of the authorized institution concerned except in the event of temporary suspension in urgent cases. The grounds for suspension or revocation include the following:

(1) the authorized institution no longer fulfils the criteria for authorisation and the requirements for registration;

(2) the authorized institution is likely to be unable to meet its obligations or to suspend payment or proposes to make, or has made, any arrangement with its creditors or is insolvent;

(3) the authorized institution has failed to provide material information required under the Hong Kong Banking Ordinance or has provided false information;

(4) the authorized institution has breached a condition attached to its licence;

(5) a person has become or continues to be a controller or chief executive or director of the authorized institution after the Monetary Authority has made an objection;

(6) the interests of the depositors require that the licence be revoked; or

(7) the authorized institution is engaging in practices likely to prejudice Hong Kong as an international financial centre or in practices (specified in the Monetary Authority guidelines) which should not be engaged in.

Revocation or suspension of a licence means that the authorized institution can no longer conduct banking business (for the specified period in the case of a suspension).

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulation in Hong Kong as well as the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) (the "**Guideline**").

The Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;

- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;

- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;

- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and

- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

Financial Institutions Resolution Regime

On July 7, 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorized institutions and other financial institutions in Hong Kong. The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilize and secure continuity for a failing authorized institution in Hong Kong. In particular, and subject to certain safeguards, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to write off or convert all or a part of the principal amount of, or distributions on, regulatory capital securities of relevant financial institutions in Hong Kong. Certain details relating to FIRO will be set out through secondary legislation and supporting rules.

On 17 January 2018, the Hong Kong Monetary Authority announced a public consultation on a set of proposed rules to set out minimum loss-absorbing capacity ("**LAC**") requirements for authorized institutions under FIRO. The LAC requirements have been proposed in order to ensure that the resolution regime can be used effectively and that authorized institutions have sufficient loss-absorbing capacity. On 14 December 2018, the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (Cap. 628B) came into operation as subsidiary registration under the FIRO.

OECD's Common Reporting Standard

The Organisation for Economic Co-operation and Development (the "**OECD**") has developed a draft common reporting standard ("**CRS**") and model competent authority agreement to enable the multilateral, automatic exchange of financial account information. The CRS does not include a potential withholding element. Under the CRS financial institutions will be required to identify and report the tax residence status of customers in 101 countries that have endorsed the plans, of which 54 (including EU Member States) have committed to implement the CRS with first information exchanges expected in 2017. The remaining 47 countries have committed to implement the CRS on a slower timetable with first information exchanges for these countries expected in 2018.

The adoption of CRS in the PRC and Hong Kong has been effective from 1 January 2017. The PRC and Hong Kong financial institutions may begin collecting tax residency information from their account holders as early as 1 January 2017 and may report information on reportable account holders in 2018. The increased due diligence of customer information and the reporting of information to the tax authorities will increase operational and compliance costs for banks, including the Group. At this time, it is not possible to quantify the full costs of complying with the new legislation as some aspects are still to be determined.

PRC CURRENCY REGULATIONS

The following is a general description of certain currency control measures in the PRC and is based on the laws and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency control measures in the PRC relating to the Notes. Prospective holders of Notes who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

CURRENT ACCOUNT ITEMS

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and services and other current account items became permissible nationwide in 2011, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (《關於簡化人民跨境人民幣業務流程和完善有關政策的通知》)(the "**2013 PBOC Circular**") with the intent to improve the efficiency of cross border Renminbi settlement and facilitate the use of Renminbi for the settlement of cross border transactions under current accounts or capital accounts. In particular, the 2013 PBOC Circular simplifies the procedures for cross border Renminbi trade settlement under current account items. On 1 November 2014, PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bidirectional Renminbi Cash Pooling Business by Multinational Enterprise Groups (《中國人民銀行關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知》)(the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow.

On 5 January 2018, the PBOC promulgated the Notice on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation (《中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知》). Accordingly, an enterprise shall be allowed to use Renminbi to settle all cross-border transactions that may be settled by foreign currencies pursuant to PRC laws. On 23 October 2019, the SAFE promulgated the Circular of Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which further provided details in facilitating foreign exchange procedures in compliance with PRC laws.

On 4 December 2023, the SAFE promulgated the Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), which further deepen the reform of foreign exchange administration, facilitate compliant handling of cross-border trade and investment business by market players.

The foregoing circulars are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration of filing with, the relevant PRC authorities.

Settlements for capital account items were generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency.

Under progressive reforms by PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) which became effective on 1 June 2015 and amended on 30 December 2019, allows foreign-invested enterprises to settle 100% (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in denominated and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

On 10 June 2018, the State Council issued the Notice of the State Council on Certain Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development (《國務院關於積極有效利用外資推動經濟高質量發展若干措施的通知》), to simplify the management of cash pools, relax the filing conditions for pilot for centralised operation and management of foreign exchange funds of multinational corporations and support multinational enterprise groups in conducting cross-border bi-directional Renminbi cash pooling business.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC Government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future.

The relevant regulations will be subject to interpretation and application by the relevant PRC authorities. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 26 April 2024 and as further amended, restated and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer, CSIF Holding and the Company a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer (failing whom the relevant Guarantor) will, and the Company shall ensure that the Issuer, or as the case may be, CSIF Holding, has sufficient funds to (in the case of an issue of KW Notes), pay each relevant Dealer a commission (if any) agreed between the Issuer, the relevant Guarantor and the Company (in the case of an issue of KW Notes) and the relevant Dealer in respect of Notes subscribed by it. The Issuer, CSIF Holding and the Company have agreed to reimburse the Arrangers for certain of their expenses properly incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the relevant Guarantor have agreed to, and the Company shall ensure that the Issuer, or as the case may be, CSIF Holding, has sufficient funds to (in the case of an issue of KW Notes), indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, CSIF Holding, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, CSIF Holding, the Company and/or their respective affiliates in the ordinary course of their business. In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, CSIF Holding, the Company or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, CSIF Holding, the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, CSIF Holding, the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, CSIF Holding, the Company or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer, CSIF Holding or the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those relevant Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated relevant Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the relevant Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that it and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, CSIF Holding, the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

United States

In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the relevant Guarantee constituting part of its allotment within the United States. The Notes and the relevant Guarantee are being offered and sold outside the United States in reliance on Regulation S.

In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes and the relevant Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold or, in the case of Bearer Notes, delivered, any Notes, and will not offer or sell or, in the case of Bearer Notes, deliver, any Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer who has subscribed for Notes of a Tranche (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant lead manager) shall determine and certify to the Issuing and Paying Agent the completion of the distribution of the Notes of such Tranche. Each Dealer has also agreed, and each further Dealer appointed under the Programme will be required to agree, that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, Dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice setting out the restrictions on offers and sales of the Notes within the United States or, to, or for the account or benefit of U.S. persons.

Terms used in the above provision have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meaning given to them by the U.S. Internal Revenue Code and regulations thereunder.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

   (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of:

   (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"), and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other Regulatory Restrictions in the United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer or the relevant Guarantor;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the relevant Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other relevant laws and regulations of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Unless the applicable Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

If the applicable Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this

Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

British Virgin Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any invitation directly or indirectly to the public in the British Virgin Islands or a natural person who is a British Virgin Islands resident or citizen to offer or sell the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply in all material respect with all applicable securities laws, regulations and directives in force in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering or publicity material or any Pricing Supplement, in all cases at its own expense.

None of the Issuer, CSIF Holding, the Company, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer(s) and set out in the applicable Pricing Supplement.

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

GENERAL INFORMATION

AUTHORISATIONS

The Issuer, CSIF Holding and the Company have obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and the issue of the Notes thereunder, provided that (1) the size of the Notes is in the scope authorised by the board of directors and the resolutions of shareholders' meeting of the relevant Guarantor and, as applicable, the Company; (2) as for each Tranche of Notes to which Order 56 is applicable, the Registration Certificate of Enterprise Foreign Debt issued by the NDRC is obtained in accordance with Order 56. The establishment of the Programme and the issue of the Notes thereunder was authorised by the resolutions of the board of directors of the Issuer passed on 10 April 2024, the resolutions of the board of directors of CSIF Holding passed on 20 March 2024, the resolutions of the shareholder of CSIF Holding passed on 20 March 2024, the resolutions of the board of directors of the Company passed on 10 February 2023 and the resolutions of the shareholders' general meeting of the Company on 4 April 2023.

CSIF Holding and the Company have obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the relevant Guarantee, provided that (1) the size of the Notes is in the scope authorized by the board of directors and the resolutions of shareholders' meeting of the relevant Guarantor; (2) as for each Tranche of Notes to which Order 56 is applicable, the Registration Certificate of Enterprise Foreign Debt issued by the NDRC is obtained in accordance with Order 56 and (3) the relevant Guarantee is registered with SAFE or its local branches.

The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into and performance of the Keepwell Deed, provided that (1) the size of the Notes is in the scope authorized by the board of directors and the resolutions of shareholders' meeting of the relevant Guarantor; (2) as for each Tranche of Notes to which Order 56 is applicable, the Registration Certificate of Enterprise Foreign Debt issued by the NDRC is obtained in accordance with Order 56.

The PRC counsel to the Issuer, CSIF Holding, the Company and the Dealers have advised that no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer, CSIF Holding and the Company to enter into the Trust Deed and the Agency Agreement, CSIF Holding or the Company to enter into any Deed of Guarantee on the relevant Issue Date of any Tranche of Notes, and for the Issuer, CSIF Holding and the Company to enter into the Keepwell Deed, provided that (1) the size of the Notes is in the scope authorised by the board of directors and the resolutions of shareholders' meeting of the relevant Guarantor; (2) as for each Tranche of Notes to which Order 56 is applicable, the Registration Certificate of Enterprise Foreign Debt issued by the NDRC is obtained in accordance with Order 56; and (3) the relevant Guarantee is registered with SAFE or its local branches.

LITIGATION

Except as disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Issuer, CSIF Holding, the Company, any of their respective subsidiaries or any of their assets, and none of the Issuer, CSIF Holding or the Company is aware of any pending or threatened proceedings, which are material in the context of the issue of the Notes or the giving of the Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as disclosed in this Offering Circular, since 31 December 2023, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, CSIF Holding, the Company and any of their respective subsidiaries.

DOCUMENTS AVAILABLE

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Issuing and Paying Agent), (i) during usual business hours (being between 10:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Trustee, being at the date of this Offering Circular, at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong and at the specified office of the Issuing and Paying Agent or (ii) via e-mail upon prior written e-mail request to hkcorporate.trust.queries@hsbc.com.hk:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Keepwell Deed; and

(iv) each Deed of Guarantee.

For so long as Notes may be issued pursuant to this Offering Circular, copies of the following documents will be available (upon written request and proof of holding and identity satisfactory to the Issuer), during usual business hours (being between 9:00 a.m. and 3:00 p.m., Hong Kong time) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the principal office of the Issuer, being at the date of this Offering Circular, at 18/F, Two Exchange Square, Central, Hong Kong:

(i) the constitutive documents of each of the Issuer, CSIF Holding and the Company;

(ii) the audited consolidated financial statements of each of CSIF Holding and the Company as at and for the years ended 31 December 2022 and 2023;

(iii) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer or the Trustee as to its holding of Notes and identity); and

(iv) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

CLEARING OF THE NOTES

Notes have been accepted for clearance through the Euroclear and Clearstream systems. The relevant ISIN and the Common Code will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

FINANCIAL STATEMENTS

The 2022 Audited Consolidated Financial Statements of the Company, which are included elsewhere in this Offering Circular, have been audited by PwC, the Company's previous independent auditor, as stated in their reports appearing herein.

The 2023 Audited Consolidated Financial Statements of the Company, which are included elsewhere in this Offering Circular, have been audited by KPMG, the Company's current independent auditor, as stated in their reports appearing herein.

The 2022 Restated Consolidated Financial Information of the Company, which is included elsewhere in this Offering Circular, has not been audited or reviewed and is derived as corresponding figures from the 2023 Audited Consolidated Financial Statements of the Company.

The 2022 Audited Consolidated Financial Statements of CSIF Holding, which are included elsewhere in this Offering Circular, have been audited by PwC, CSIF Holding's previous independent auditor, as stated in their reports appearing herein.

The 2023 Audited Consolidated Financial Statements of CSIF Holding, which are included elsewhere in this Offering Circular, have been audited by KPMG, CSIF Holding's current independent auditor, as stated in their reports appearing herein.

The 2022 Restated Consolidated Financial Information of CSIF Holding, which is included elsewhere in this Offering Circular, has not been audited or reviewed and is derived as corresponding figures from the 2023 Audited Consolidated Financial Statements of CSIF Holding.

LISTING OF NOTES

Application has been made to the Hong Kong Stock Exchange for the listing of the Programme, and for the permission to deal in, and for the listing of, Notes issued under the Programme during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.

The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of issue of the relevant Notes. Admission to the Hong Kong Stock Exchange and quotation of any Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Programme, the Notes, the Guarantee, the Issuer, CSIF Holding, the Company or the Group. The Hong Kong Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions or reports contained herein.

TEFRA D LEGEND

Notes issued pursuant to TEFRA D (other than temporary Global Notes) and any Coupons, Receipts and Talons appertaining thereto will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

INDEX TO FINANCIAL STATEMENTS

Note:

(1) The audited financial statements of the Company as at and for the years ended 31 December 2023 and 2022 together with the independent auditor's reports set out herein are reproduced from the Company's annual reports for the years ended 31 December 2023 and 2022, respectively. Page references are references to pages set out in such annual reports. These independent auditor's reports and the financial statements of the Company have not been specifically prepared for inclusion in this Offering Circular.

(2) The audited financial statements of CSIF Holding as at and for the years ended 31 December 2023 and 2022 together with the independent auditor's reports set out herein are reproduced from CSIF Holding's audited financial statements for the years ended 31 December 2023 and 2022, respectively. Page references are references to pages set out in such audited financial statements. These independent auditor's reports and the financial statements of CSIF Holding have not been specifically prepared for inclusion in this Offering Circular.

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.

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;

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	How the matter was addressed in our audit
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.	– 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.

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	How the matter was addressed in our audit
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.	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;

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
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.	• 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;

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.

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.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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.

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	**ZOU Yingguang**
Chairman	*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										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 1 January 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.

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

		Attributable to equity holders of the Company										
				Reserves								
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total
At 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		7,756,695	14,937,500	12,447,626	5,616,141	12,512,985	713,053	31,672	25,797,520	79,813,192	187,828	80,001,020
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		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

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
	8,378,170	13,945,521
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
	(8,032,681)	(34,337,978)
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
	(9,055,630)	47,204,926
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	(10,126,913)	24,279,400

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.

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.

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.

(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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

(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.

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.

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.

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.

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.

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.

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.

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).

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 a rise 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.

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).

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.

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.

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.

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.

(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					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
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

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2022					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	6,174,276	4,247,456	3,645,856	1,475,367	–	15,542,955
Interest income	–	4,840,950	3,912,035	9,600	769,966	9,532,551
Net investment gains	–	–	4,300,915	231,240	–	4,532,155
Other income	300	76,606	133,738	14,565	6,637,911	6,863,120
Total revenue and other income	6,174,576	9,165,012	11,992,544	1,730,772	7,407,877	36,470,781
Segment expenses	(3,252,872)	(6,609,660)	(9,268,961)	(820,702)	(7,059,876)	(27,012,071)
Including: Interest expenses	(89,036)	(2,060,389)	(4,885,372)	(48,063)	(59,080)	(7,141,940)
Credit impairment (losses)/reversals	(321)	33,504	(315,238)	(2,736)	(12)	(284,803)
Impairment losses on other assets	–	–	–	–	(25,980)	(25,980)
Operating profit	2,921,704	2,555,352	2,723,583	910,070	348,001	9,458,710
Share of profits and losses of associates	–	–	–	(63)	13,579	13,516
Profit before income tax	2,921,704	2,555,352	2,723,583	910,007	361,580	9,472,226
Income tax expense						(1,942,644)
Net profit for the year						7,529,582
Total assets	1,134,297	126,128,091	341,012,400	5,042,466	35,888,756	509,206,010
Total liabilities	4,454,062	115,778,937	284,530,675	2,976,489	8,170,305	415,910,468
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

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	14,402,652	15,542,955

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	10,117,898	9,532,551

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	6,841,744	4,532,155

(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	2,617,138	6,863,120

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	2,332,552	1,773,490
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	8,406,078	7,141,940
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	7,972,590	7,891,647

(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.

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

	Year ended 31 December 2023				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	2,110	1,270	–	158	3,538
Zou Yingguang *(a)*	257	–	–	27	284
Li Geping *(b)*	830	–	–	65	895
Non-executive Directors					
Li Min (Vice Chairman) *(c)*	–	–	–	–	–
Wu Ruilin (Vice Chairman) *(d)*	–	–	–	–	–
Yu Zhongfu *(e)*	–	–	–	–	–
Yan Xiaolei *(c)*	–	–	–	–	–
Wang Xiaolin *(f)*	–	–	–	–	–
Zhang Qin *(e)*	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Zhang Wei *(g)*	–	–	–	–	–
Yang Dong	–	–	–	–	–
Wang Hua	–	–	–	–	–
Independent Non-executive Directors					
Pu Weiguang	–	–	355	–	355
Lai Guanrong	–	–	355	–	355
Zhou Chengyue *(k)*	–	–	–	–	–
Zhang Zheng *(l)*	–	–	355	–	355
Wu Xi *(m)*	–	–	360	–	360
Zheng Wei *(n)*	–	–	60	–	60
Supervisors					
Zhou Xiaoyu	1,557	1,450	–	159	3,166
Dong Hongfu *(o)*	–	–	–	–	–
Ai Bo	–	–	–	–	–
Wang Xiaoguang *(p)*	–	–	–	–	–
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

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

	Year ended 31 December 2022				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	2,103	1,700	–	152	3,955
Li Geping *(General Manager) (b)*	1,983	1,800	–	152	3,935
Non-executive Directors					
Yu Zhongfu *(e)*	–	–	–	–	–
Wang Xiaolin *(f)*	–	–	–	–	–
Zhang Qin *(e)*	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Zhang Wei *(g)*	–	–	–	–	–
Yang Dong	–	–	–	–	–
Wang Hua	–	–	–	–	–
Independent Non-executive Directors					
Dai Deming *(h)*	–	–	280	–	280
Bai Jianjun *(i)*	–	–	275	–	275
Liu Qiao *(j)*	–	–	275	–	275
Pu Weiguang	–	–	335	–	335
Lai Guanrong	–	–	340	–	340
Zhou Chengyue *(k)*	–	–	–	–	–
Zhang Zheng *(l)*	–	–	85	–	85
Wu Xi *(m)*	–	–	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 *(q)*	–	–	–	–	–
Wang Xiaoguang *(p)*	–	–	–	–	–
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.

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.

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(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	38,613	60,310

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	5	5

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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	(130,343)	284,803

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	1,324,423	1,942,644

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(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.

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)*	(983,750)	(852,252)
Profit attributable to ordinary equity holders of the Company	6,050,736	6,667,176
Shares:		
Weighted average number of ordinary shares in issue (thousand) *(Note 44)*	7,756,695	7,756,695
Basic and diluted earnings per share (in RMB yuan)	0.78	0.86

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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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

(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	2,712,022	325,091	3,037,113
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	(1,359,728)	(199,802)	(1,559,530)
Carrying amount			
31 December 2023	1,352,294	125,289	1,477,583

	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	2,703,049	283,004	2,986,053
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	(978,410)	(152,255)	(1,130,665)
Carrying amount			
31 December 2022	1,724,639	130,749	1,855,388

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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	1,656,535	75,388	1,731,923
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	(835,072)	(69,600)	(904,672)
Net carrying amount			
31 December 2023	821,463	5,788	827,251

	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	1,293,447	74,694	1,368,141
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	(628,160)	(69,600)	(697,760)
Net carrying amount			
31 December 2022	665,287	5,094	670,381

(In RMB thousands, unless otherwise stated)

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 As at 31 December 2023	2022	Directly/ Indirectly hold	Principal activities
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.

(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.

(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

(In RMB thousands, unless otherwise stated)

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).

(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	–	–

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(In RMB thousands, unless otherwise stated)

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	12,741,491	10,881,160

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	1,028,325	26,477	584,472	379,136	96,148	2,114,558

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	1,114,296	75,560	616,653	461,640	86,428	2,354,577

(In RMB thousands, unless otherwise stated)

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

	31 December 2023		31 December 2022	
Item	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.

(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).

(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%

(In RMB thousands, unless otherwise stated)

30 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2023		
		Fair value	
	Nominal 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		
		Fair value	
	Nominal 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.

(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).

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(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.

(In RMB thousands, unless otherwise stated)

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

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 *(i)*						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

(In RMB thousands, unless otherwise stated)

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)*						7,231,861	24,252,554	28,033,596	3,450,819
Total						18,290,179	49,109,440	47,858,371	19,541,248

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.

(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.

(In RMB thousands, unless otherwise stated)

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
CSCIF A N2508	500,000 thousand dollars	499,690 thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,497,654	132,494	69,578	3,560,570
CSCIF A N2406	500,000 thousand dollars	498,105 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 3.45 per cent. Guaranteed Notes due 2026	500,000	500,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	–	500,569	261	500,308
CNY710,000,000 3.45 per cent. Guaranteed Notes due 2026	710,000	710,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	–	710,808	370	710,438
CNY790,000,000 3.45 per cent. Guaranteed Notes due 2026	790,000	790,000	19/12/2023	19/12/2026	Pay semi-annually	3.45%	–	790,899	412	790,487
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	–

(In RMB thousands, unless otherwise stated)

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 *(iv)*	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
CSCIF A N2508	500,000 thousand dollars	499,690 thousand dollars	04/08/2020	04/08/2025	Pay semi-annually	1.75%	3,198,713	388,095	89,154	3,497,654
CSCIF A N2406	500,000 thousand dollars	498,105 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	–

(In RMB thousands, unless otherwise stated)

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 *(iii)*	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 *(iii)*	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 *(iii)*	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 *(iii)*	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 *(iii)*	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 *(iv)*	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).

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	7,756,695	7,756,695

45 OTHER EQUITY INSTRUMENTS

	31 December 2023	31 December 2022
Perpetual subordinated bonds	24,906,528	24,906,528

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).

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.

(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 *(Note 32)*	(546,536)	(376,428)
Interest receivable	(5,962)	(7,498)
Cash and cash equivalents	36,068,227	38,560,954

(2) Changes in liabilities arising from financing

	Short-term borrowings	Short-term financing instruments payable	Bonds in issue	Total
At 1 January 2023	1,243,577	19,541,248	101,781,979	122,566,804
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	473,460	37,701,659	102,794,444	140,969,563

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(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	1,243,577	19,541,248	101,781,979	122,566,804

(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.

(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.

(In RMB thousands, unless otherwise stated)

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.

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 2023	31 December 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

(In RMB thousands, unless otherwise stated)

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)

	31 December 2023	31 December 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
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

(In RMB thousands, unless otherwise stated)

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)

(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
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

(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).

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).

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value

	31 December 2023			
	Level 1	Level 2	Level 3	Total
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

(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			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	11,443,882	79,780,596	42,336	91,266,814
– Equity investments	25,720,624	–	8,538,883	34,259,507
– Fund investments	10,441,602	14,096,554	–	24,538,156
– Others	50,887	32,204,560	4,991,216	37,246,663
Subtotal	47,656,995	126,081,710	13,572,435	187,311,140
Financial assets at fair value through other comprehensive income				
– Debt instruments	97,344	70,531,923	401	70,629,668
– Equity instruments	90,311	–	–	90,311
Subtotal	187,655	70,531,923	401	70,719,979
Derivative financial assets	345,991	1,262,494	1,254,931	2,863,416
Total assets	48,190,641	197,876,127	14,827,767	260,894,535
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	1,309,424	123,201	1,432,625
– Financial liabilities designated as at fair value through profit or loss	–	51,636	10,822,693	10,874,329
Subtotal	–	1,361,060	10,945,894	12,306,954
Derivative financial liabilities	292,238	1,447,385	1,518,921	3,258,544
Total liabilities	292,238	2,808,445	12,464,815	15,565,498

(In RMB thousands, unless otherwise stated)

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	14,856,818	1,400	2,413,399	8,518,567	2,770,275
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	(317,454)	(401)	805,410	60,535	1,801,407

	Year ended 31 December 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2022	10,489,688	401	566,436	6,770,267	2,233,570
Total gains or losses for the year	612,281	–	796,686	(1,041,758)	(2,766,893)
Increases	8,391,835	–	59,447	9,796,490	3,398,550
Decreases	(5,255,764)	–	(167,638)	(4,579,105)	(1,346,306)
Transfers to Level 1 from Level 3	(665,605)	–	–	–	–
31 December 2022	13,572,435	401	1,254,931	10,945,894	1,518,921
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	612,281	–	796,686	1,041,758	2,766,893

(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 *(Notes 42 and 43)*	102,794,444	101,781,979
– Fair value	103,291,191	100,955,243

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.

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.

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.

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.

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).

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.

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.

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.

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.

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 revaluates 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.

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.

(In RMB thousands, unless otherwise stated)

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

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

	31 December 2023			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	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	56,385,949	6,623	–	56,392,572
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	13,740,178	49,838	152,280	13,942,296
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	13,362,149	152,766	729,710	14,244,625
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	75,735,867	–	401	75,736,268
Loss allowance	(484,383)	–	(13,372)	(497,755)

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

ECL	31 December 2022 Stage of ECL Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
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	52,806,668	63,927	–	52,870,595
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	25,186,170	210,007	155,123	25,551,300
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	13,357,931	650,260	660,253	14,668,444
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	70,629,267	–	401	70,629,668
Loss allowance	(729,656)	–	(13,372)	(743,028)

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

– Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted 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			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
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			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	117,063	56	1,062,781	1,179,900
Increases	146,130	71	–	146,201
Reversals	(58,868)	(178)	(820)	(59,866)
Write-offs	–	–	(804)	(804)
Transfer:				
Stage 1 to Stage 2	(1,018)	1,018	–	–
Stage 2 to Stage 1	56	(56)	–	–
Foreign exchange and other movements	237	–	10,160	10,397
31 December 2022	203,600	911	1,071,317	1,275,828

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
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			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
1 January 2022	12,703	–	629,127	641,830
Increases	22,685	908	61,973	85,566
Reversals	(15,325)	(964)	(181,436)	(197,725)
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

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage of ECL			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
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			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL (Credit-impaired)	Total
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

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.

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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					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
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.

(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					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
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.

(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				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	16,124	16,071	42,979	11,561	86,735

	31 December 2022				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
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.

(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.

(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.

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.

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

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	300,023,876	315,900,580
Net current assets	146,949,343	128,711,389
Total assets less current liabilities	169,913,584	151,201,044
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	78,057,684	62,353,249
Net assets	91,855,900	88,847,795
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	91,855,900	88,847,795

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).

(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		7,756,695	14,937,500	12,428,414	5,207,430	12,189,972	667,026	23,248,008	76,435,045
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		7,756,695	24,906,528	12,428,414	5,865,685	13,524,646	444,343	23,921,484	88,847,795

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.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

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

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

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarized as follows:

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit impairment allowance of Margin accounts, Financial assets held under resale agreements and Financial assets at fair value through other comprehensive income (debt instruments)	
Refer to Notes 3.1(5), 3.2(1), 13, 23, 24, 28 and 53.1 to the consolidated financial statements. As at 31 December 2022, the Group recognized the following financial assets in its consolidated statement of financial position: • Margin accounts amounted to RMB54,146.42 million with a credit loss allowance of RMB1,275.83 million; • Financial assets held under resale agreements amounted to RMB26,080.97 million with a credit loss allowance of RMB529.67 million; • Financial assets at fair value through other comprehensive income (debt instruments) amounted to RMB70,629.67 million with a credit loss allowance of RMB743.03 million. The credit impairment losses for the aforesaid financial assets recognized in the Group's consolidated income statement for the year ended 31 December 2022 amounted to RMB293.81 million.	We obtained an understanding of the management's internal control and assessment process of expected credit impairment allowance of margin accounts, financial assets held under resale agreements, and financial assets at fair value through other comprehensive income (debt instruments), and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We understood, evaluated and tested the Group's internal controls relating to the measurement of ECL, primarily including: (1) Governance over ECL models, including the selection and approval of modelling methodology; and the ongoing monitoring and optimization of the models; (2) Significant management judgements and assumptions, including the judgement of model selections, parameters estimation, significant increase in credit risk ("SICR"), defaults and credit-impaired, and the approval of forward-looking measurements; (3) Internal controls over the accuracy and completeness of key inputs used by the models; (4) Internal controls relating to estimated future cash flows for the financial assets classified under Stage 3.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial instruments measured at fair value and classified as Level 3	
Refer to Note 3.1(5)、3.2(3)、22、23、30、36 and 52(1)、(2)、(3) to the consolidated financial statements. As at 31 December 2022, the Group's financial instruments included those classified under Level 3 in the fair value hierarchy ("Level 3 Financial Instruments"), which were measured using valuation techniques that involve significant unobservable inputs. Such inputs included liquidity discount, price to book ratio and volatility of underlying assets, etc. The amounts of Level 3 financial assets and financial liabilities as at 31 December 2022 were RMB14,827.77 million and RMB12,464.82 million, respectively. Valuation of the Level 3 Financial Instruments was a key area of audit focus due to the size of their amounts and the significant judgements and assumptions made by the management, including the selection of models and unobservable inputs used in the valuation process.	We obtained an understanding of the management's internal control and assessment process of the valuation of Level 3 Financial Instruments measured at fair value, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated the design and tested the operating effectiveness of the Group's relevant controls over data inputs to the Level 3 Financial Instruments valuation models and the ongoing monitoring and optimization of the models. We evaluated the appropriateness of the models used by management for the valuation of Level 3 Financial Instruments based on those used in current industry practice. We also evaluated on a sample basis the accuracy of the observable inputs and the reasonableness and appropriateness of the unobservable inputs used for measuring the fair value of Level 3 Financial Instruments with reference to relevant market data. We performed an independent valuation and sensitivity analysis of the Level 3 Financial Instruments on a sample basis. Based on the results of our procedures performed above, we considered the models and parameters adopted and the valuation estimated by the management to be acceptable.

OTHER INFORMATION

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

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED INCOME STATEMENT

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

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

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

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

Wang Changqing	**Li Geping**
Chairman	*Executive Director and General Manager*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

(In RMB thousands, unless otherwise stated)

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

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

1 GENERAL INFORMATION

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

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

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

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

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

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION

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

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

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

(1)	Amendments to IFRS 3	Business Combinations
(2)	Amendments to IAS16	Property, Plant and Equipment
(3)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 -2020 cycle
(5)	IFRIC Agenda Decision (IFRS 9 and IFRS 16)	Lessor forgiveness of lease payments

1) Amendments to IFRS 3: Business Combinations

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

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

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

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

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

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

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

(In RMB thousands, unless otherwise stated)

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

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

2 BASIS OF PREPARATION (CONTINUED)

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

2) Amendments to IFRS 16: Leases on sale and leaseback

These amendments specifies that in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3) Amendments to IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability- weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of these amendments will not have any impact on the Group's consolidated financial statements.

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

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

2 BASIS OF PREPARATION (CONTINUED)

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

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

Amendments to IAS1 require companies to disclose their material accounting policy information rather than their significant account policies and provide a definition of material accounting policy information. Amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The accounting policies and accounting period of the Company and its subsidiaries are consistent.

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When the Group assesses whether it has power over an investee, the Group's voting rights or potential voting rights and other contractual arrangements are considered.

Income or expenses resulted from acquisition or disposal of subsidiaries, from the date on which the Company obtains control to the date on which the Company ceases its control over subsidiaries, are in the scope of consolidation. Intra-group assets and liabilities, equity, income, expenses, and cash flow which are relevant to all intra-group transactions occurred should be eliminated on consolidation.

A portion of equity over subsidiaries and profit or loss which does not belong to the Company should be treated as non-controlling interests. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position separately from the equity attributable to equity holders of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.1 Significant accounting policies

(1) Accounting period

The accounting year starts on 1 January and ends on 31 December.

(2) Functional and presentation currency

The Company's functional and presentation currency is RMB.

Each entity in the Group determines its own functional currency according to its economic situation. The functional currency is denominated in RMB in the consolidated financial statements.

(3) Cash and cash equivalents

Cash comprises cash on hand and demand deposits which are not restricted as to use.

Cash equivalents comprise short term, highly liquid investments, which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

(4) Foreign currency transactions and foreign currency translation

The Group adopts the sub-account system to record foreign currency transactions. Foreign currency transactions are initially recorded on the original currency respectively at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the prevailing functional currency exchange rates at the end of the reporting period. The exchange rate is the central parity rate quoted by the People's Bank of China or authorized bodies. All differences are taken to the consolidated income statement. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions.

The assets and liabilities of foreign operation subsidiaries denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of reporting period for consolidated financial statements. The equity items, excluding "retained earnings", are translated to RMB at the spot exchange rates at the transaction dates. The income and expenses of foreign operation are translated to RMB at the rates that approximate the spot exchange rates. The exchange differences resulting from foreign currency financial statement translation of subsidiaries are recognized in other comprehensive income ("OCI") and accumulated in the foreign exchange translation reserve. The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments

(a) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Financial assets

Financial assets are classified on the basis of the Group's business model for managing the assets and the cash flow characteristics of the assets in the following measurement categories: (i) Amortized cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments assets and equity instruments assets are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government bonds, corporate bonds and subordinated bonds. Classification and subsequent measurement of debt instruments depend on: (i) the Group's business model for managing the asset; and (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI and that are not designated as at FVPL, are measured at amortized cost.

(ii) Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI and that are not designated as at FVPL, are measured at FVOCI.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(a) Initial recognition, classification and measurement of financial instruments (Continued)

Financial assets (Continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortized cost, except for financial liabilities at FVPL, which is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition.

Contingent liabilities recognized by buyers should be measured as FVPL under business combination for entities owned by different ultimate shareholders.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch'); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

(b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and; (iii) for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss allowance). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

Equity instruments

The equity instrument investments that are held for purposes other than to generate investment returns are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss when 1) the Group's right to receive payments is established, 2) it is probable that future economic benefits associated with the item will flow to the Group, 3) the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Net investment gains" in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Net investment gains" in the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(c) Subsequent measurement of financial instruments (Continued)

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognized in current profit and loss by the Group.

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

Default Valuation Adjustments (DVA) are applied to the Group's financial liabilities at fair value through profit or loss, and assumes that DVA stay the same before and after the transfer of the liability. DVA refer to risk that enterprises fail to perform the obligation, including but not limited to their own credit risk.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(d) Fair value of financial instruments (Continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(e) Impairment of financial assets (Continued)

For financial instruments whose impairment losses are measured using the ECL model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL if the credit risk of that financial instrument has not increased significantly since initial recognition.

Stage 2: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk of that financial instrument has increased significantly since initial recognition, but is not yet deemed to be credit-impaired.

Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the financial instrument is credit-impaired.

The Group applies the impairment requirements for the recognition and measurement of credit loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in OCI and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

The Group has measured the loss allowance for a financial instrument at an amount equal to the lifetime ECL in the previous reporting period, but determines to measure it at an amount equal to the next 12 months ECL at the current reporting date since the credit risk of that financial instrument has increased significantly since initial recognition is no longer met, and the amount of ECL reversal is recognized in profit or loss, except for POCI financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(5) Financial instruments (Continued)

(f) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative.

The changes on fair value of derivative financial instruments are directly recognized in the consolidated income statement. The difference between fair value and carrying amount is recognized as investment income when disposing.

(g) Derecognition of Financial Instruments

A financial asset is derecognized, when one of the following criteria is satisfied: (i) the contractual rights to receive cash flows from the assets have expired; (ii) the Group has transferred substantially all the risks and rewards of ownership of the financial asset; (iii) the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has not retained control.

When equity financial assets designated as at FVOCI are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to retained earnings. When other financial assets are derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “Net investment gains”.

A financial liability is derecognized when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged. Fair value gains and losses are charged to profit or loss. When financial liabilities designated as at FVPL are derecognized, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a current legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(6) Leases

(a) Initial measurement of the right-of-use asset and lease liability

Initial measurement of the right-of-use asset

The right-of-use asset is defined as the right of underlying assets in the lease term for the Group as a lessee. The lease term is defined as the non-cancellable period of the lease for the Group as a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Initial direct costs are defined as incremental costs. Incremental costs would not have been incurred if a lease had not been obtained.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date.

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

The lessee uses as the discount rate the interest rate implicit in the lease – this is the rate of interest that causes the present value of lease payments and the unguaranteed residual value to equal the sum of the fair value of the underlying asset and any initial direct costs of the lessor.

The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(6) Leases (Continued)

(b) Subsequent measurement of the right-of-use asset and lease liability

Subsequent measurement of the right-of-use asset

At the commencement date, the Group as a lessee shall measure the right-of-use asset at cost and apply the depreciation requirements in IAS 16 Property, Plant and Equipment in depreciating the right-of-use asset. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent measurement of the lease liability

After the commencement date, the Group shall recognise interest on the lease liability in profit or loss. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

(c) Recognition of short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months from the commencement date or less. Leases of low value assets are the underlying assets are of low value when new. The right-of-use asset and lease liability are not recognized by the Group for short-term leases and leases of low value assets.

(7) Reverse repurchase agreements and financial assets sold under repurchase agreements

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as original financial assets before transferred. The corresponding liability is included in financial assets sold under repurchase agreements.

Consideration paid for financial assets held under agreements to resell are recorded as reverse repurchase agreements, the related collateral accepted is not recognized in the consolidated financial statements.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortized over the period of the respective transaction using the effective interest method and is recognized through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(8) Margin financing and securities lending services

Margin financing and securities lending services refer to the lending of funds by the Group to clients for purchase of securities, or lending of securities by the Group to clients for securities selling, for which the clients provide the Group with collateral.

The Group recognizes margin accounts at initial recognition, and recognizes interest income accordingly. Securities lent are not derecognized, but still accounted for as the original financial assets, and interest income is recognized accordingly.

Securities trading on behalf of margin financing and securities lending clients are accounted for as securities brokerage services.

(9) Fiduciary wealth management

The Group's fiduciary wealth management business includes targeted asset management, collective asset management and specified asset management. The Group keeps separate accounting records for each of these investment schemes, and periodically reconciles the accounting and valuation results of each scheme with the custodians.

(10) Associates

Associates are all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates.

(11) Investment properties

Investment properties comprise real estate properties for the purpose of earning rental income and/or for capital appreciation, including buildings that have been leased out.

The Group's investment properties are accounted for using the cost model. The initial recognition and subsequent measurement of buildings and properties that are leased out are accounted for using the same measurement and depreciation methods as those for property, plant and equipment.

(In RMB thousands, unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment

(a) Recognition criteria for property, plant and equipment

Property, plant and equipment refer to tangible assets held and controlled by the Group that the Group expects to use for more than one year for using in the supply of services or for administrative purpose. An asset is recognized as property, plant and equipment only if the following criteria are both satisfied:

(i) It is highly probable that future economic benefits associated with the property, plant and equipment will flow to the Group;

(ii) The cost of the asset can be measured reliably.

(b) Property, plant and equipment initially measured at cost

Cost of an item of purchased property, plant and equipment comprises purchase price, tax and any costs directly attributable to bringing the asset to the condition necessary for its intended use and it includes transportation costs, installation and assembly costs, and professional service fees.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance expenditure are recognized in the profit or loss as incurred. Depreciation of property, plant and equipment is calculated on the straight-line basis monthly.

Estimated useful life, depreciation rate and estimated residual value of each item of property, plant and equipment which are required by the operation of the Group are as follows:

Types of property plant and equipment	Estimated useful life	Monthly depreciation rate	Estimated residual value
Properties and buildings	35 years	2.262‰	5%
Electronic devices	2 to 5 years	1.667%-4.167%	0%
Transportation vehicles	5 years	1.617%	3%
Communication equipment	5 years	1.617%	3%
Office equipment	3 years	2.778%	0%
Security equipment	5 years	1.617%	3%
Others	5 years	1.617%	3%

The years that the property, plant and equipment were already in use were excluded when determining the estimated useful lives of these types of the property, plant and equipment. The estimated useful life, the estimated residual value and the depreciation method of each type of the property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposal of property, plant and equipment, the costs of disposal and taxes in connection with such disposal are considered in the determination of the estimated residual value.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(12) Property, plant and equipment (Continued)

(c) Construction in progress

Costs of construction in progress are determined based on the actual expenditure incurred which include all necessary expenditure incurred during the construction period, borrowing costs eligible for capitalization and other costs incurred to bring the asset to its intended use.

Items classified as construction in progress are transferred to property, plant and equipment when such assets are ready for their intended use.

(13) Intangible assets

Intangible assets are recognized only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably, and measured initially at cost. Intangible assets acquired from business combination and their fair value can be measured reliably are recognized as intangible assets individually and measured at their fair value as at date of combination.

Useful lives of intangible assets are determined as the period that the assets are expected to generate economic benefits for the Group, and when there is no foreseeable limit on the period of time over which the asset is expected to generate economic benefits for the Group, the intangible assets are regarded as having indefinite useful life.

Intangible assets with finite useful lives shall be amortized on a straight-line basis over the useful period. The useful lives and amortization method of the intangible assets with finite useful lives shall be reviewed by the Group at least at each financial year end, and adjusted as appropriate. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset, where residual value can be determined by reference to that market; and it is probable that such a market will exist at the end of the asset's useful life.

Trading seat rights at Shanghai and Shenzhen Stock Exchanges are amortized over 10 years (subject to any changes in industry rules subsequently issued) and charged to the consolidated income statement. Outsourcing software is amortized over 5 years. Self-developed software, patents, non-patents, trade mark right, client relationship and other intangible assets are amortized over their useful lives.

Intangible assets with indefinite useful lives need to be assessed for impairment no matter if there is any impairment evidence. These assets need not to be amortized, and their useful lives shall be reviewed during every accounting period. If there is any evidence to support that the useful lives are definite, these intangible assets shall apply the policies of intangible assets with definite useful lives.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(14) Long-term pre-paid expense

Improvement expenses on property, plant and equipment under operating leases are amortized on a straight-line basis over the shorter of the contractual lease terms and 5 years, while long-term pre-paid expenses are amortized on a straight-line basis over their respective benefit periods but no longer than 10 years.

(15) Revenue

An entity should determine at contract inception whether control of a good or service is transferred over time or at a point in time. The determination should depict the transfer of benefits to the customer and should be evaluated from the customer's perspective.

An entity should first assess whether the performance obligation is satisfied with the following criteria over time. If not, the good or service transfers at a point in time.

(i) The customer concurrently receives and consumes the benefits provided by the entity's performance as the entity performs.

(ii) The entity's performance creates or enhances a customer-controlled assets.

(iii) The entity's performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date.

Where performance of a single service contract takes place over time, revenue should be recognized as performance takes place, excluding the stage of performance cannot be determined.

An entity that cannot reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred, should recognize revenue only to the extent of the cost until a reliable measure of progress can be made.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(15) Revenue (Continued)

An entity will recognize revenue at a point in time (when control transfers) for performance obligation that meet the criteria for recognition of revenue at a point in time:

- Revenue from underwriting services is recognized when the control of the underwriting services is provided to the client. The revenue is usually recognized upon completion of the offering.
- Revenue from the securities brokerage services is recognized on the date of the securities transaction.
- Revenue from asset management services is recognized when management services are provided in accordance with the asset management contract.
- Revenues from other businesses, including investment banking advisory and sponsoring services are recognized when the contractual obligations are fulfilled.

Interest income of debt investments at amortized costs and FVOCI, is measured by carrying amount and effective interest rate. Interest income of credit impaired financial assets are measured by amortized cost and effective interest rate. Net gains of holding period from financial investments at FVPL is measured as "Net investment gains".

(16) Income tax

Income tax comprises current tax and deferred income tax. Current tax is the amount of current income tax payable calculated based on current taxable income. Taxable income is calculated based on the adjustment to the current year pre-tax accounting profit according to the applicable tax laws.

For current income tax liabilities or current income tax assets generated from the current and prior periods, the expected income tax payable or the income tax deduction is calculated according to the applicable tax laws.

The Group measures deferred income tax using the liability method on temporary differences arising between the carrying amount of an asset or liability at the end of the reporting period and its tax base.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

All taxable temporary differences are recognized as deferred income tax liabilities, except:

(i) The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

(i) The deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. When it is virtually probable that sufficient taxable income will be available, the reduced amount will be reversed accordingly.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(16) Income tax (Continued)

Deferred tax assets and liabilities are offset:

(i) when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and

(ii) when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(17) Employee compensation

Employee compensation refers to all forms of consideration and other related expenditure given or incurred by the Group in exchange for services rendered by employees or compensate for the termination of labour contract. The compensation payable is recognized as liability in the accounting period of services provided by employee. The employee compensation comprises of short-term compensation, post-employment welfare, termination benefits, and other long-term employee welfares.

Short-term compensation comprises of staff salaries, bonus, allowances, and subsidies, as well as social insurance expenses including employee welfare, medical insurance charge, work-related injury insurance charge, and maternity insurance and also covers housing funds, labour union expenses, personnel education expenses, short-term paid leave, short-term profit-sharing plan, non-monetary welfare and other short-term compensations.

Post-employment welfare plans refer to agreements reached with employees or policies and measures established by the Group in relation to post-employment welfare. The defined contribution plans refer to post-employment welfare plans in which the Group pays contribution to an independent fund and the Group has no further payment obligation.

(18) Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the Group receives grants of monetary assets, the grants are recorded at the amount received or receivable. Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets. When fair value cannot be reliably measured, they are recognized at nominal amount.

Government grants for purchasing, building or forming long-term assets in other methods stipulated in government documents are recognized as government grants related to assets. Judgements should be made based on the necessary basic conditions for obtaining the government grants when government documents are unclearly stated. Government grants with purchasing, building or forming long-term assets in other methods as basic condition are recognized as government grants related to assets, whereas the other grants are related to income.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(18) Government grants (Continued)

Government grants related to income which are to compensate relevant expenditures or losses in future periods are recognized as deferred income and released into the consolidated income statement during the period when the expense incurs. Government grants that are to compensate the incurred expenses or losses are recognized into profit or loss directly. Government grants related to assets are recognized as deferred income, and released to profit or loss over the expected useful life of the relevant assets by equal annual instalments. Government grants measured at nominal amount are recorded in the consolidated income statement directly.

(19) Impairment

The Group assesses impairment of assets other than deferred tax assets and financial assets as follows:

The Group assesses at each financial reporting date whether there is any indication that assets are impaired. When any such indication exists, the Group estimates the recoverable amount and assesses impairment allowance. For goodwill acquired from business combination and intangible assets with indefinite useful life, no matter there is objective evidence of impairment or not, impairment should be assessed at each annual financial reporting date. Impairment for intangible assets not readily for use is also assessed annually.

The recoverable amount is the higher of an asset's fair value less costs of disposal and the present value of the estimated future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on the basis of individual asset. When it is difficult to estimate the recoverable amount individually, the recoverable value of the cash generating units which the asset belongs to will be estimated. The recognition of a group of assets shall base on whether the main cash flow generated by the group of assets is independent from those generated by other assets or groups of assets.

When recoverable amounts of assets or groups of assets are lower than their carrying amounts, the Group reduces the carrying amount to recoverable amount. The reduced amounts are recognized in the consolidated income statement and corresponding allowances are made.

For impairment test of goodwill, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units when being unable to be allocated to each of the cash-generating units. Cash-generating units or groups of cash-generating units refer to those that can benefit from the synergies of the combination and are not larger than the reportable segment determined by the Group.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(19) Impairment (Continued)

When performing impairment test for the (groups of) cash-generating unit to which goodwill is allocated, if there is indication of impairment, the Group firstly tests the (groups of) cash-generating unit excluding goodwill, calculates the recoverable amount and recognizes relevant impairment losses. The Group then tests the (groups of) cash-generating units including goodwill, and compares the carrying amount and recoverable amount. If the carrying amount exceeds the recoverable amount, the amount of impairment loss is firstly deducted from the carrying amount of goodwill allocated to the (groups of) cash-generating unit, and then from the carrying amount of each of other assets (other than goodwill) within the (groups of) cash-generating unit, on pro rata basis.

Once the loss of impairment of the above-mentioned assets has been recognized, it will not be reversed in the future accounting period.

(20) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties.

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(20) Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(21) Contingencies

The obligation pertinent to contingencies shall be recognized as provisions when the following conditions are satisfied concurrently:

– the obligation is a present obligation of the Group;

– the obligation is probable to cause a future outflow of resources from the Group as a result of performance of the obligation; and

– the amount of the obligation can be reliably measured.

The amount of a provision is initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation. To determine the best estimate, the Group takes into full consideration of risks, uncertainty, time value of money and other factors pertinent to the contingencies. The Group reviews the book value of the provisions at each balance sheet date. If there is substantial evidence that the amount of provisions cannot reflect the current best estimate, the Group will adjust the amount in accordance with the current best estimate.

A contingent liability is a possible obligation that a rise 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.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Significant accounting policies (Continued)

(22) Perpetual bonds

Perpetual bonds issued by the Group, which satisfied with the following criteria are classified as equity instruments:

(i) Financial instruments exclude those are settled on a net basis in cash (or other financial assets);

(ii) Financial instruments must or can be settled on own equity: (a) For non-derivative contracts, they exclude those are settled gross by delivery of a variable number of own shares; (b) Derivative contracts that result in the delivery of a fixed amount of cash or other financial assets for a fixed number of an entity's own equity instruments.

Dividends for the perpetual bonds, which are classified as equity instruments, are accounted for as profit distribution.

(23) Profit distribution

After-tax profit for the year is firstly applied to make up for the losses of previous years. Secondly, the Company sets aside 10% of after-tax profit for a statutory surplus reserve, 10% of after-tax profit for a general risk reserve, and according to the requirements of the CSRC, sets aside 10% of after-tax profit for a transaction risk reserve. In addition, with the approval from the Annual General Meeting, the Company may appropriate certain proportions of net profit for a discretionary surplus reserve after setting aside the statutory surplus reserve. The remaining after-tax profit is distributed according to the resolution approved at the Annual General Meeting. If the aggregate balance of the statutory reserve has reached 50% of the Company's registered capital, appropriation for the statutory reserve is no longer mandatory.

General risk reserve and transaction risk reserve sets aside by the Company are used to make up for any losses arising from securities transactions. The Company's reserve funds are used to make up for any losses of the Company, expand the Company's business or as additional capital of the Company. However, capital reserve cannot be used to make up for the Company's losses. When the statutory reserve funds are converted to capital, the balance of the statutory reserve funds cannot be less than 25% of the Company's registered capital.

Dividends proposed by the directors are not deducted from equity, until they have been approved by the ordinary equity holders in the Annual General Meeting. When these dividends have been approved by the ordinary equity holders, they are recognized as a liability.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates

During the preparation of the Group's financial statements, management will make judgements, estimates and assumptions about the impact of future uncertainties on revenue, expenses, assets and liabilities, and disclosure of contingent liabilities. At the end of the reporting period, management made the following judgements and main assumptions on major future uncertainties, which might lead to adjustments in the book value of assets and liabilities.

(1) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for debt instruments, including investments in financial assets measured at amortized cost and FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

– Selection of the appropriate models and determination of relevant key measurement parameters;

– Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

– Determination of forward-looking measurements and weightings; and

– The estimated future cash flows for the financial assets classified under Stage 3.

Inputs, assumptions and estimation techniques

ECL are the discounted product of probability of default having considered the forward-looking impact, exposure at default, and loss given default.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with IFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporated forward-looking information. The Group has performed historical data and identified the key economic variables impacting credit risk and ECL for each financial instrument portfolio. These economic variables and their associated impact on the probability of default ("PD") vary by product type. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Details of the significant accounting judgements and estimates above please refer to Note 53.1.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(2) Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change over the life of the financial asset (for example, if there are prepayment of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

(3) Fair Value of financial instruments

For financial instruments where there is a lack of active market, the Group uses valuation methods to determine its fair value. Valuation methods include referring to the transaction price determined when fair transactions are conducted between economic entities with complete information and willingness to buy and sell in the market, referring to the fair value of another similar financial instrument in the market, or using discount cash flow analysis and option pricing model to estimate. Valuation methods maximize the use of observable market information. However, when observable market information is unavailable, management will estimate the significant non-observable information included in the valuation methods.

(4) Income tax

The Group needs to make a judgement on future tax treatment of certain transactions to confirm income tax. In accordance with relevant tax regulations, the Group carefully evaluates the impact of income tax on transactions and accordingly calculates income tax. The deferred income tax assets can only be recognized when there is a possibility of future taxable profits and can be used to offset the temporary differences. This requires a major judgement on the tax treatment of certain transactions and a significant estimate of the possibility of having sufficient future taxable profits to offset deferred income tax assets.

3 SIGNIFICANT ACCOUNTING POLICIES, SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Significant accounting judgements and estimates (Continued)

(5) Consolidation of structured entities

Management needs to make significant judgements on whether to control and consolidate structured entities, confirming whether it will affect accounting treatment and the financial situation and operating results of the Group.

In assessing control, the Group needs to consider: 1) the power of the investor to the investee; 2) the variable return enjoyed by the investee in the relevant activities; and 3) the ability to use the power of the investee to influence the amount of its return. If one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In judging whether the Group controls the structured entities, it also needs to consider whether the Group's decision-making behavior is carried out as a principal or as an agent. Considerations usually include the scope of decision-making power of the Group to the structured entities, the substantive rights enjoyed by other parties, the level of remuneration of the Group, and the risk that the Group bears variable returns for holding other interests of the structured entities.

4 TAXATION

According to relevant PRC tax policies, the most significant categories of taxes to which the Group is currently subjected are as follows:

(1) Income tax

From 1 January 2008, the "Enterprise Income Tax Law of the PRC" and the "Regulations on the Implementation of Enterprise Income Tax Law of the PRC" became effective for the Company and its subsidiaries excluding China Futures Co., Ltd. and China Securities (International) Finance Holding Co., Ltd. Income tax computation and payment are governed by the "Announcement of the State Administration of Taxation on Printing and Distributing Administrative Measures for Collection of Consolidated Payments of Enterprise Income Tax by Enterprises with Multi-Location Operations" (Public Notice of the State Administration of Taxation [2012] No. 57). The PRC Enterprise income tax rate applicable to the Company is 25%.

In accordance with Announcement on Continuation of Implementation of Tax Preferential Treatments concerning Western China Development Strategy [2020] No. 23 issued by the Ministry of Finance (the "MOF"), the State Administration of Taxation (the "SAT") and the National Development and Reform Commission, the applicable income tax rates for China Futures Co., Ltd. is 15%.

The income tax rate for China Securities (International) Finance Holding Co., Ltd. is 16.5%.

4 TAXATION (CONTINUED)

(2) Value added tax

Pursuant to the "Circular regarding the Comprehensive Implementation of the Pilot Programs for Transformation from Business Taxes to Value-added Taxes (the "VAT Pilot Programs")" (Cai Shui [2016] No.36), the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs (Cai Shui [2016] No.46), the "Supplementary Circular regarding VAT Policies Applicable to Transactions between Financial Institutions" (Cai Shui [2016] No.70) issued by the MOF and the SAT of the PRC, effective from 1 May 2016, the Group is subject to value-added taxes on its income from principal businesses at 6%.

In accordance with the "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No.140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No.2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No.56), the Group shall pay VAT at rate of 3% for related asset management taxable activities undertaken after 1 January 2018 as the manager of asset management products.

After the implementation of the VAT Pilot Programs, the Group's related income is presented at value net of its respective VAT in the consolidated income statement.

(3) Urban maintenance and construction taxes and educational surcharges are charged at 7% and 3% of VAT payable, respectively. In addition, according to the provisions of "Administrative Measures for Collection and Usage of Local Educational Surcharges in Beijing" (Jing Zheng Fa [2011] No.72), since 1 January 2012, the local educational surcharges of the Company's head office and securities trading department located in Beijing are paid at 2% of the total amount of value-added tax payable.

(4) Vehicle and vessel taxes, property taxes and stamp duties are levied in accordance with the provisions of the relevant tax laws and regulations.

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's operating segments represents a strategic business engaged in the following activities.

Investment banking segment: provides investment banking services, including financial advisory, sponsoring, underwriting of equity and debt securities.

Wealth management segment: serves as a brokerage agent for corporate and personal clients in the trading of equity stocks, funds, bonds and futures; and provides margin financing and securities lending services to these clients.

Trading and institutional client services segment: engages in trading of financial products; serves as a brokerage agent for institutional clients (financial institutions) in the trading of equity stocks, funds and bonds, and provides them with margin financing and securities lending; provides services in relation to sales of financial products to institutional clients, and provides specialized research and advisory services to assist their investment decision-making.

(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

Asset management segment: develops asset management products, fund management products services, and private placement offerings, and provides related services through subsidiaries and consolidated structured entities.

Other segment: primarily commodity trading and the treasury function from the head office.

Management monitors the performance and results of these operating segments for considerations of resource allocation and operating decision-making.

Income taxes are managed as a whole and are not allocated to operating segments.

	Year ended 31 December 2022					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	6,174,276	4,247,456	3,645,856	1,475,367	–	15,542,955
Interest income	–	4,840,950	3,912,035	9,600	769,966	9,532,551
Net investment gains	–	–	4,300,915	231,240	–	4,532,155
Other income	300	76,606	133,738	14,565	6,637,911	6,863,120
Total revenue and other income	6,174,576	9,165,012	11,992,544	1,730,772	7,407,877	36,470,781
Segment expenses	(3,252,872)	(6,609,660)	(9,268,961)	(820,702)	(7,059,876)	(27,012,071)
Including: Interest expenses	(89,036)	(2,060,389)	(4,885,372)	(48,063)	(59,080)	(7,141,940)
Credit impairment losses	(321)	33,504	(315,238)	(2,736)	(12)	(284,803)
Impairment losses on other assets	–	–	–	–	(25,980)	(25,980)
Operating profit	2,921,704	2,555,352	2,732,583	910,070	348,001	9,458,710
Share of profits and losses of associates	–	–	–	(63)	13,579	13,516
Profit before income tax	2,921,704	2,555,352	2,732,583	910,007	361,580	9,472,226
Income tax expense						(1,954,768)
Net profit for the year						7,517,458
Total assets	1,134,297	126,130,308	341,722,794	5,073,415	35,894,684	509,955,498
Total liabilities	4,454,062	115,780,838	285,247,111	3,007,586	8,177,220	416,666,817
Other segment information:						
Depreciation and amortization	291,765	280,334	314,410	72,482	52,533	1,011,524
Capital expenditure	158,603	158,265	174,198	33,382	22,501	546,949

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(In RMB thousands, unless otherwise stated)

5 OPERATING SEGMENT INFORMATION (CONTINUED)

	Year ended 31 December 2021					
	Investment banking	Wealth management	Trading and institutional client services	Asset management	Others	Total
Segment revenue and other income						
Fee and commission income	5,958,018	4,740,294	3,260,573	1,398,706	–	15,357,591
Interest income	–	4,866,233	3,379,715	10,124	728,439	8,984,511
Net investment gains	–	–	7,544,248	479,835	–	8,024,083
Other income	5,300	49,421	3,411	8,147	6,600,493	6,666,772
Total revenue and other income	5,963,318	9,655,948	14,187,947	1,896,812	7,328,932	39,032,957
Segment expenses	(3,021,202)	(6,502,094)	(8,803,960)	(771,514)	(6,915,505)	(26,014,275)
Including: Interest expenses	(108,615)	(2,156,328)	(4,833,654)	(101,593)	(33,884)	(7,234,074)
Credit impairment losses	(895)	184,600	113,076	(1,465)	2,555	297,871
Impairment losses on other assets	–	–	–	–	(31,291)	(31,291)
Operating profit	2,942,116	3,153,854	5,383,987	1,125,298	413,427	13,018,682
Share of profits and losses of associates	–	–	–	(2,158)	4,302	2,144
Profit before income tax	2,942,116	3,153,854	5,383,987	1,123,140	417,729	13,020,826
Income tax expense						(2,785,762)
Net profit for the year						10,235,064
Total assets	939,919	121,733,400	291,813,742	4,919,401	33,384,964	452,791,426
Total liabilities	4,630,435	117,413,058	239,385,986	4,239,546	7,116,117	372,785,142
Other segment information:						
Depreciation and amortization	178,690	197,663	269,053	58,460	42,672	746,538
Capital expenditure	153,591	170,482	238,526	34,980	22,782	620,361

(In RMB thousands, unless otherwise stated)

6 FEE AND COMMISSION INCOME

	Year ended 31 December 2022	2021
Brokerage services income	7,277,827	7,718,226
Investment banking income	6,174,276	5,958,018
Asset and fund management income	1,475,367	1,398,706
Others	615,485	282,641
Total	15,542,955	15,357,591

7 INTEREST INCOME

	Year ended 31 December 2022	2021
Margin financing and securities lending	3,822,950	4,113,375
Bank deposits	3,072,053	2,607,286
Financial assets at fair value through other comprehensive income	1,875,224	1,594,370
Financial assets held under resale agreements	568,777	573,151
Others	193,547	96,329
Total	9,532,551	8,984,511

8 NET INVESTMENT GAINS

	Year ended 31 December 2022	2021
Net (losses)/gains from financial assets at fair value through profit or loss	(1,527,449)	8,996,380
Net (losses)/gains from disposal of subsidiaries and associates	(6,744)	556,091
Dividend income from financial assets at fair value through other comprehensive income	6,790	197,010
Net gains from disposal of financial assets at fair value through other comprehensive income	196,771	111,527
Net gains/(losses) from financial liabilities at fair value through profit or loss	1,018,093	(537,072)
Net gains/(losses) from derivatives	4,717,051	(831,268)
Net gains/(losses) attributable to other interest holders of consolidated structured entities	127,643	(468,585)
Total	4,532,155	8,024,083

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(In RMB thousands, unless otherwise stated)

9 OTHER INCOME

	Year ended 31 December 2022	2021
Income from bulk commodity trading	6,596,553	6,560,270
Net gains/(losses) on foreign exchange	101,809	(33,122)
Government grants	65,966	58,364
Rental income	13,600	17,505
Gains on disposal of property, plant and equipment	(1,536)	818
Others	86,728	62,937
Total	6,863,120	6,666,772

10 EXPENSES

	Year ended 31 December 2022	2021
Fee and commission expenses:		
Brokerage expenses	1,347,476	1,481,862
Investment banking expenses	247,671	326,650
Others	178,343	112,458
Total	1,773,490	1,920,970
Interest expenses:		
Bonds in issue	3,177,324	3,042,260
Financial assets sold under repurchase agreements	1,983,748	2,037,448
Placements from banks and other financial institutions	672,582	881,654
Accounts payable to brokerage clients	573,525	334,622
Short-term financing instruments payable	470,579	762,576
Lease liabilities	64,677	41,166
Borrowings	22,004	8,542
Others	177,501	125,806
Total	7,141,940	7,234,074
Staff costs (including directors' and supervisors' remuneration):		
Salaries, bonuses and allowances	6,364,971	6,701,689
Staff benefits	943,751	702,965
Contributions to defined contribution schemes *(i)*	582,925	446,963
Total	7,891,647	7,851,617

(In RMB thousands, unless otherwise stated)

10 EXPENSES (CONTINUED)

(i) Retirement benefits are included, and their nature is described below:

Full-time employees of the Group in Mainland China are covered by various government-sponsored retirement plans including social pension schemes and corporate pension schemes, under which the employees are entitled to a monthly pension. Relevant government agencies determine the amount of pension benefits and are responsible for the related pension liabilities to eligible retired employees. The Group is required to make monthly contributions to these government-sponsored retirement plans for active employees, which are expensed as incurred. The Group has no obligation for post-retirement benefits beyond these contributions.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries or regions outside of Mainland China.

Other operating expenses and costs:

	Year ended 31 December	
	2022	2021
Cost of bulk commodity trading	6,593,450	6,536,063
Depreciation and amortization expenses	1,011,524	746,538
Electronic equipment operating expenses	369,095	321,614
Office operating expenses	346,264	226,447
Membership fees of exchanges	265,058	169,137
Business travel expenses	174,850	195,408
Postal and communication expenses	154,700	151,468
Business entertainment expenses	109,716	131,646
Consulting expenses	105,232	97,984
Business publicity expenses	95,924	54,825
Auditors' remuneration	6,644	6,533
Including: Audit service	5,851	5,489
Non-audit service	793	1,044
Others	505,770	468,730
Total	9,738,227	9,106,393

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION

(1) Details of the directors' and supervisors' remuneration are as follows:

	Year ended 31 December 2022				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	2,103	1,700	-	152	3,955
Li Geping *(General Manager)*	1,983	1,800	-	152	3,935
Non-executive Directors					
Yu Zhongfu	-	-	-	-	-
Wang Xiaolin *(a)*	-	-	-	-	-
Zhang Qin	-	-	-	-	-
Zhu Jia	-	-	-	-	-
Zhang Wei *(b)*	-	-	-	-	-
Yang Dong *(c)*	-	-	-	-	-
Wang Hua *(d)*	-	-	-	-	-
Independent Non-executive Directors					
Dai Deming *(e)*	-	-	280	-	280
Bai Jianjun *(f)*	-	-	275	-	275
Liu Qiao *(g)*	-	-	275	-	275
Pu Weiguang *(h)*	-	-	335	-	335
Lai Guanrong *(i)*	-	-	340	-	340
Zhou Chengyue *(j)*	-	-	-	-	-
Zhang Zheng *(k)*	-	-	85	-	85
Wu Xi *(l)*	-	-	85	-	85
Supervisors					
Zhou Xiaoyu *(m)*	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 *(n)*	-	-	-	-	-
Wang Xiaoguang *(o)*	-	-	-	-	-
Total	8,278	9,600	1,675	740	20,293

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

	Year ended 31 December 2021				
Name	Salaries, allowances and other benefits	Discretionary bonuses	Directors' fees	Retirement benefits	Total remuneration before tax
Executive Directors					
Wang Changqing *(Chairman)*	2,095	2,450	–	144	4,689
Li Geping *(General Manager)*	1,970	2,450	–	144	4,564
Non-executive Directors					
Yu Zhongfu	–	–	–	–	–
Wang Xiaolin *(a)*	–	–	–	–	–
Zhang Qin	–	–	–	–	–
Zhu Jia	–	–	–	–	–
Wang Hao *(p)*	–	–	–	–	–
Zhang Wei *(b)*	–	–	–	–	–
Yang Dong *(c)*	–	–	–	–	–
Wang Hua *(d)*	–	–	–	–	–
Independent Non-executive Directors					
Feng Genfu *(q)*	–	–	105	–	105
Zhu Shengqin *(r)*	–	–	105	–	105
Dai Deming *(e)*	–	–	230	–	230
Bai Jianjun *(f)*	–	–	230	–	230
Liu Qiao *(g)*	–	–	230	–	230
Pu Weiguang *(h)*	–	–	140	–	140
Lai Guanrong *(i)*	–	–	140	–	140
Supervisors					
Zhou Xiaoyu *(m)*	643	2,300	–	62	3,005
Lin Xuan	1,450	2,400	–	141	3,991
Zhao Ming	1,185	2,750	–	132	4,067
Ai Bo	–	–	–	–	–
Zhao Lijun *(n)*	–	–	–	–	–
Total	7,343	12,350	1,180	623	21,496

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

Except for the remuneration shown above, directors and supervisors received the following deferred bonuses in 2022 and 2021:

For the year ended 31 December 2022, Executive Director Wang Changqing received deferred bonuses of RMB2.00 million, Executive Director Li Geping received deferred bonuses of RMB2.00 million, Supervisor Zhou Xiaoyu received deferred bonuses of RMB1.70 million, Supervisor Lin Xuan received deferred bonuses of RMB1.70 million, Supervisor Zhao Ming received deferred bonuses of RMB0.56 million.

For the year ended 31 December 2021, Executive Director Wang Changqing received deferred bonuses of RMB1.81 million, Supervisor Lin Xuan received deferred bonuses of RMB0.88 million, Supervisor Zhao Ming received deferred bonuses of RMB0.79 million.

In 2022 and 2021, no directors and supervisors waived their remuneration. For non-executive directors and supervisors whose pre-tax remuneration were not paid by the Group was shown as zero in the above tables.

(a) Wang Xiaolin resigned as non-executive director in March 2023.

(b) Zhang Wei was appointed as non-executive director in June 2021.

(c) Yang Dong was appointed as non-executive director in October 2021.

(d) Wang Hua was appointed as non-executive director in June 2021.

(e) Dai Deming resigned as independent non-executive director in September 2022.

(f) Bai Jianjun resigned as independent non-executive director in September 2022.

(g) Liu Qiao resigned as independent non-executive director in September 2022.

(h) Pu Weiguang was appointed as independent non-executive director in May 2021.

(i) Lai Guanrong was appointed as independent non-executive director in May 2021.

(j) Zhou Chengyue was appointed as independent non-executive director in September 2022.

(k) Zhang Zheng was appointed as independent non-executive director in September 2022.

(l) Wu Xi was appointed as independent non-executive director in September 2022.

(m) Zhou Xiaoyu was appointed as supervisor in August 2021.

(n) Zhao Lijun resigned as supervisor in June 2022.

(In RMB thousands, unless otherwise stated)

11 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

(1) Details of the directors' and supervisors' remuneration are as follows: (Continued)

(o) Wang Xiaoguang was appointed as supervisor in June 2022.

(p) Wang Hao resigned as non-executive director in September 2021.

(q) Feng Genfu resigned as independent non-executive director in May 2021.

(r) Zhu Shengqin resigned as independent non-executive director in May 2021.

(2) Other benefits and rights of directors and supervisors

For each of the years ended 31 December 2022 and 31 December 2021, no emoluments were paid by the Group to any of the persons who were directors, or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. Except for the contributions to social pension schemes and corporate pension schemes, there were no other retirement benefits for directors or supervisors; meanwhile, there were no consideration provided to third parties for making available directors' and supervisors' services.

For each of the years ended 31 December 2022 and 31 December 2021, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly. In addition, the Group did not provide any guarantees or securities to certain controlled body corporates and connected entities of the directors or supervisors in respect of their loans, quasi-loans or credit transactions.

12 FIVE HIGHEST PAID EMPLOYEES

For the year ended 31 December 2022 and 31 December 2021, the five highest paid employees excluded directors and supervisors are as follows:

	Year ended 31 December	
	2022	2021
Salaries, allowances and other benefits	7,188	8,155
Discretionary bonuses	8,250	25,300
Discretionary deferred bonuses	44,142	25,416
Retirement benefits	730	680
Total	60,310	59,551

(In RMB thousands, unless otherwise stated)

12 FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

The number of these individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December 2022	2021
RMB9,000,001 to RMB10,000,000 yuan	1	–
RMB10,000,001 to RMB11,000,000 yuan	–	2
RMB11,000,001 to RMB12,000,000 yuan	1	–
RMB12,000,001 to RMB13,000,000 yuan	1	2
RMB13,000,001 to RMB14,000,000 yuan	1	1
RMB14,000,001 to RMB15,000,000 yuan	1	–
Total	5	5

For the year ended 31 December 2022, the remuneration of these individuals above includes 2015、2016 and 2018 pre-tax deferred bonus paid in 2022. For the year ended 31 December 2021, the remuneration of these individuals above includes 2017 pre-tax deferred bonus paid in 2021.

For each of the years ended 31 December 2022 and 31 December 2021, no remunerations were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13 CREDIT IMPAIRMENT LOSSES/(REVERSALS)

	Year ended 31 December 2022	2021
Financial assets at fair value through other comprehensive income	319,638	120,647
Margin financing	86,335	14,806
Financial assets held under resale agreements	(112,159)	(443,932)
Others	(9,011)	10,608
Total	284,803	(297,871)

(In RMB thousands, unless otherwise stated)

14 INCOME TAX EXPENSE

(1) Income tax

	Year ended 31 December 2022	2021
Current income tax		
– Mainland China	2,214,212	2,679,917
– Outside Mainland China	9,976	15,964
Subtotal	2,224,188	2,695,881
Deferred income tax	(269,420)	89,881
Total	1,954,768	2,785,762

(2) Reconciliation between income tax and accounting profit

A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate of 25% to income tax expense at the Group's effective income tax rate is as follows:

	Year ended 31 December 2022	2021
Profit before income tax	9,472,226	13,020,826
Income tax at the PRC statutory income tax rate	2,368,057	3,255,207
Effects of different applicable rates of tax prevailing in various jurisdictions	(62,350)	(71,455)
Non-deductible expenses	77,731	21,659
Non-taxable income	(350,332)	(402,319)
Others	(78,338)	(17,330)
Income tax expenses at the Group's effective income tax rate	1,954,768	2,785,762

15 DIVIDENDS

	Year ended 31 December 2022	2021
Dividends on ordinary shares proposed and paid	3,063,894	2,908,761
Distribution to other equity instrument holders *(Note 16(i))*	852,253	547,685

A cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares related to the year of 2022, amounting to RMB2,094 million (tax inclusive) in total has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

A cash dividend of RMB3.95 (tax inclusive) per 10 ordinary shares related to the year of 2021 amounting to RMB3,064 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 28 June 2022. All dividends were distributed on 18 August 2022.

A cash dividend of RMB3.75 (tax inclusive) per 10 ordinary shares related to the year of 2020 amounting to RMB2,909 million (tax inclusive) in total and based on 7,756,694,797 shares was approved at the annual general meeting held on 29 June 2021. All dividends were distributed on 19 August 2021.

16 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share was calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding. The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December 2022	2021
Earnings:		
Profit attributable to equity holders of the Company	7,507,304	10,238,704
Less: Profit attributable to other equity instrument holders of the Company *(i)*	(852,253)	(547,685)
Profit attributable to ordinary equity holders of the Company	6,655,051	9,691,019
Shares:		
Weighted average number of ordinary shares in issue *(thousand) (Note 44)*	7,756,695	7,756,695
Basic and diluted earnings per share (in RMB yuan)	0.86	1.25

There were no dilutive shares during the year ended 31 December 2022 (year ended 31 December 2021: None).

(i) As of 31 December 2022, there were six tranches of perpetual subordinated bonds existed under the terms and conditions as detailed in Note 45 Other Equity Instruments.

For the purpose of calculating basic earnings per ordinary share, profit attributable to other equity holders was deducted from the profit attributable to ordinary equity holders of the Company.

(In RMB thousands, unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

	Properties and buildings	Electronic devices	Transportation vehicles	Communication equipment	Office equipment	Security equipment	Others	Total
Cost								
1 January 2022	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Increases	16,792	187,400	1,421	184	1,701	2,677	5	210,180
Decreases	–	(55,821)	(1,123)	(346)	(21,209)	(655)	–	(79,154)
31 December 2022	437,983	1,082,707	35,328	4,651	57,724	10,252	37,154	1,665,799
Accumulated depreciation								
1 January 2022	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Increases	(19,406)	(214,667)	(981)	(342)	(3,308)	(687)	(1,802)	(241,193)
Decreases	–	56,055	1,089	268	21,193	605	–	79,210
31 December 2022	(173,557)	(692,972)	(30,923)	(3,706)	(51,679)	(6,345)	(36,566)	(995,748)
Net carrying amount								
31 December 2022	264,426	389,735	4,405	945	6,045	3,907	588	670,051
Cost								
1 January 2021	413,761	826,027	36,670	6,743	76,659	8,699	37,059	1,405,618
Increases	7,430	282,738	2,528	454	6,709	818	304	300,981
Decreases	–	(157,637)	(4,168)	(2,384)	(6,136)	(1,287)	(214)	(171,826)
31 December 2021	421,191	951,128	35,030	4,813	77,232	8,230	37,149	1,534,773
Accumulated depreciation								
1 January 2021	(140,092)	(539,891)	(34,291)	(5,633)	(73,431)	(6,853)	(33,140)	(833,331)
Increases	(14,059)	(151,970)	(783)	(380)	(2,262)	(678)	(1,801)	(171,933)
Decreases	–	157,501	4,043	2,381	6,129	1,268	177	171,499
31 December 2021	(154,151)	(534,360)	(31,031)	(3,632)	(69,564)	(6,263)	(34,764)	(833,765)
Net carrying amount								
31 December 2021	267,040	416,768	3,999	1,181	7,668	1,967	2,385	701,008

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(In RMB thousands, unless otherwise stated)

18 RIGHT-OF-USE ASSETS

	Properties and buildings	Others	Total
Cost			
1 January 2022	2,342,235	259,637	2,601,872
Increases	617,194	24,493	641,687
Decreases	(276,676)	(1,126)	(277,802)
Foreign currency translation differences	20,296	–	20,296
31 December 2022	2,703,049	283,004	2,986,053
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	(978,410)	(152,255)	(1,130,665)
Carrying amount			
31 December 2022	1,724,639	130,749	1,855,388
Cost			
1 January 2021	1,445,123	259,434	1,704,557
Increases	1,241,641	2,839	1,244,480
Decreases	(338,081)	(2,636)	(340,717)
Foreign currency translation differences	(6,448)	–	(6,448)
31 December 2021	2,342,235	259,637	2,601,872
Accumulated depreciation			
1 January 2021	(632,906)	(74,977)	(707,883)
Increases	(371,530)	(37,501)	(409,031)
Decreases	333,484	2,272	335,756
Foreign currency translation differences	2,047	–	2,047
31 December 2021	(668,905)	(110,206)	(779,111)
Carrying amount			
31 December 2021	1,673,330	149,431	1,822,761

(In RMB thousands, unless otherwise stated)

19 INTANGIBLE ASSETS

	Software	Trading seat rights and others	Total
Cost			
1 January 2022	984,043	74,618	1,058,661
Increases	317,605	–	317,605
Decreases	(10,518)	–	(10,518)
Foreign currency translation differences	2,317	76	2,393
31 December 2022	1,293,447	74,694	1,368,141
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	(628,160)	(69,600)	(697,760)
Net carrying amount			
31 December 2022	665,287	5,094	670,381
Cost			
1 January 2021	721,623	74,221	795,844
Increases	279,866	415	280,281
Decreases	(16,815)	–	(16,815)
Foreign currency translation differences	(631)	(18)	(649)
31 December 2021	984,043	74,618	1,058,661
Accumulated amortization			
1 January 2021	(365,766)	(69,600)	(435,366)
Increases	(119,582)	–	(119,582)
Decreases	15,032	–	15,032
Foreign currency translation differences	388	–	388
31 December 2021	(469,928)	(69,600)	(539,528)
Net carrying amount			
31 December 2021	514,115	5,018	519,133

(In RMB thousands, unless otherwise stated)

20 INVESTMENTS IN SUBSIDIARIES

	31 December 2022	31 December 2021
Investments in subsidiaries	11,550,844	9,267,283

General information of the Company's principal subsidiaries are as follows:

Name of subsidiaries	Principal operating place	Place of registration	Registered share capital	Proportion of voting rights As at 31 December 2022	Proportion of voting rights As at 31 December 2021	Directly/ Indirectly hold	Principal activities
China Futures Co., Ltd. *(i)*	Chongqing	Chongqing	RMB1,400 million	100%	100%	Directly	Futures brokerage
China Capital Management Co., Ltd. *(i)*	Beijing	Beijing	RMB3,500 million	100%	100%	Directly	Project investment
China Securities (International) Finance Holding Co., Ltd. *(ii)*	Hong Kong	Hong Kong	Not applicable	100%	100%	Directly	Shareholding and investment
China Fund Management Co., Ltd. *(iii)*	Beijing	Beijing	RMB300 million	100%	75%	Directly	Funds business, asset management
China Securities Investment Co., Ltd. *(i)*	Beijing	Beijing	RMB6,100 million	100%	100%	Directly	Investment management, equity investment management, investment consultancy and project management

(i) In 2022, the Company paid RMB400 million, RMB400 million and RMB1,300 million of the subscribed capital to China Futures Co., Ltd., China Capital Management Co., Ltd. and China Securities Investment Co., Ltd., respectively.

(ii) China Securities (International) Finance Holding Co., Ltd. is registered as a limited company according to the laws of Hong Kong, China. Others are registered as limited liability companies according to the laws of the People's Republic of China.

(iii) In February 2022, the Company acquired 25% equity of China Fund Management Co., Ltd., which was publicly transferred by Aerospace Science & Technology Finance Co., Ltd. The Company completed the registration and this transfer increased the Company's proportion of voting rights to China Fund Management Co., Ltd. from 75% to 100%. China Fund Management Co., Ltd. became a wholly-owned subsidiary of CSC Financial Co., Ltd.

(In RMB thousands, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES

	31 December 2022	31 December 2021
Investments in associates	107,524	111,002

The following table illustrates details of investments in associates:

Name	1 January 2022	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2022
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	52,777	–	–	8,868	(8,700)	–	52,945
Zhongguancun Equity Trading Service Group Co., Ltd.	24,012	–	–	3,090	–	–	27,102
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	8,307	–	(8,244)	(63)	–	–	–
Beijing Equity Trading Center Co., Ltd.	25,906	–	–	1,571	–	–	27,477
Total	111,002	–	(8,244)	13,466	(8,700)	–	107,524

(In RMB thousands, unless otherwise stated)

21 INVESTMENTS IN ASSOCIATES (CONTINUED)

Name	1 January 2021	Increase	Decrease	Movement using the equity method	Cash dividends or profits declared	Impairment allowance for the current period	31 December 2021
CITIC City Development Equity Investment Fund Management (Shenzhen) Co., Ltd.	50,802	–	–	1,975	–	–	52,777
Jiangsu DDBS Environment Remediation Co., Ltd	48,804	–	(48,961)	157	–	–	–
Beijing Tinavi Medical Technology Co., Ltd.	44,208	–	(43,044)	(1,164)	–	–	–
Guangdong South Lead TV & Film Co., Ltd.	27,191	–	(27,191)	–	–	–	–
Beijing Siban Technology Development Co., Ltd.	25,809	–	(25,851)	42	–	–	–
Zhongguancun Equity Trading Service Group Co., Ltd.	21,757	–	–	2,255	–	–	24,012
Shenzhen MALONG TECHNOLOGIES Co., Ltd.	9,460	–	–	(1,153)	–	–	8,307
Beijing Haifu Capital Management Co., Ltd.	1,255	–	(1,257)	2	–	–	–
Beijing Equity Trading Center Co., Ltd.	–	25,851	–	55	–	–	25,906
Total	229,286	25,851	(146,304)	2,169	–	–	111,002

As at 31 December 2022 and 31 December 2021, given there was no sign of impairment on the Group's investments in associates, no further impairment allowance was made.

(In RMB thousands, unless otherwise stated)

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Non-current		
Financial assets at fair value through profit or loss		
Debt instruments	40,683	54,919
Equity investments	8,149,588	6,508,439
Others	971,083	1,012,651
Subtotal	9,161,354	7,576,009
Analyzed into:		
Listed in Hong Kong	70,306	–
Listed outside Hong Kong	2,561,213	2,381,073
Unlisted	6,529,835	5,194,936
Subtotal	9,161,354	7,576,009
Current		
Financial assets at fair value through profit or loss		
Debt instruments	91,226,131	87,162,849
Equity investments	26,109,919	21,285,047
Fund investments	24,538,156	16,606,441
Others	36,275,580	28,917,570
Subtotal	178,149,786	153,971,907
Analyzed into:		
Listed in Hong Kong	8,185,835	7,856,672
Listed outside Hong Kong	133,503,163	115,528,444
Unlisted	36,460,788	30,586,791
Subtotal	178,149,786	153,971,907
Total	187,311,140	161,547,916

As at 31 December 2022, the fair value of financial assets pledged as collateral for repurchase agreements (Note 37), futures business and securities borrowing business by the Group totaled RMB80,787.46 million (31 December 2021: RMB82,663.63 million).

As at 31 December 2022, financial assets held by the Group included securities lent amounted to RMB2,884.40 million (31 December 2021: RMB2,582.01 million).

As at 31 December 2022, the fair value of financial assets at fair value through profit or loss in restricted period held by the Group was RMB3,895.28 million (31 December 2021: RMB4,544.33 million).

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Current		
Debt instruments	70,629,668	48,260,539
Equity instruments	90,311	97,607
Total	70,719,979	48,358,146
Analyzed into:		
Listed in Hong Kong	6,328,925	2,221,302
Listed outside Hong Kong	64,391,054	46,136,844
Total	70,719,979	48,358,146

(i) As at 31 December 2022, the fair value of securities classified as financial assets at fair value through other comprehensive income of the Group which have been pledged as collateral for repurchase agreements (Note 37), placements from CSF (Note 38), and securities borrowing business were RMB60,428.15 million (31 December 2021: RMB39,202.57 million).

(In RMB thousands, unless otherwise stated)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	31 December 2022	31 December 2021
Non-current		
Analyzed by collateral:		
Stock	5,009	10,020
Allowance for impairment losses	(141)	(114)
Subtotal	4,868	9,906
Current		
Analyzed by collateral:		
Debts	20,659,777	15,312,173
Stock	5,294,441	4,341,391
Others	121,744	–
	26,075,962	19,653,564
Allowance for impairment losses	(529,530)	(641,716)
Subtotal	25,546,432	19,011,848
Total	25,551,300	19,021,754

The Group received securities as collateral in connection with financial assets under resale agreements, some of which are allowed to be re-pledged in the absence of default by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral. The Group had an obligation to return the collateral to its counterparties at the maturity of the contracts.

The fair value of the collateral received in connection with financial assets under resale agreements, the collateral allowed to be re-pledged and the collateral re-pledged were as below:

	31 December 2022	31 December 2021
Collateral received	31,549,810	24,125,395
Including: Collateral allowed to be re-pledged	–	–
Including: Collateral re-pledged	–	–

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(In RMB thousands, unless otherwise stated)

25 REFUNDABLE DEPOSITS

	31 December 2022	31 December 2021
Performance bonds	9,241,697	7,739,810
Trading deposits	1,582,565	2,586,664
Credit deposits	56,898	69,155
Total	10,881,160	10,395,629

26 DEFERRED TAX ASSETS AND LIABILITIES

Changes of deferred tax assets and deferred tax liabilities are as follow:

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2022	1,163,789	170,755	547,966	85,334	1,967,844
Credited/(debited) to the consolidated income statement	(49,493)	(156,724)	68,543	(4,311)	(141,985)
Credited to other comprehensive income	–	61,529	144	5,405	67,078
31 December 2022	1,114,296	75,560	616,653	86,428	(1,892,937)

Deferred tax assets	Salaries, bonuses, and allowances payable	Fair value changes of financial instruments	Allowance for credit impairment losses	Others	Total
1 January 2021	921,854	112,668	623,648	67,349	1,725,519
Credited/(debited) to the consolidated income statement	241,935	71,579	(75,665)	19,799	257,648
Debited to other comprehensive income	–	(13,492)	(17)	(1,814)	(15,323)
31 December 2021	1,163,789	170,755	547,966	85,334	1,967,844

(In RMB thousands, unless otherwise stated)

26 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Changes of deferred tax assets and deferred tax liabilities are as follow: (Continued)

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2022	1,523,839	1,477	1,525,316
Debited/(credited) to the consolidated income statement	(411,447)	42	(411,405)
Debited/(credited) to other comprehensive income	(45,839)	138	(45,701)
31 December 2022	1,066,553	1,657	1,068,210

Deferred tax liabilities	Fair value changes of financial instruments	Others	Total
1 January 2021	1,064,118	1,298	1,065,416
Debited to the consolidated income statement	347,310	219	347,529
Debited/(credited) to other comprehensive income	112,411	(40)	112,371
31 December 2021	1,523,839	1,477	1,525,316

27 OTHER NON-CURRENT ASSETS

As at 31 December 2022 and 31 December 2021, other non-current assets of the Group primarily represented long-term deferred expenses incurred on network engineering projects and leasehold improvements of property, plant and equipment.

(In RMB thousands, unless otherwise stated)

28 MARGIN ACCOUNTS

	31 December 2022	31 December 2021
Margin accounts		
– Individuals	41,865,270	47,854,449
– Institutions	12,281,153	11,133,597
	54,146,423	58,988,046
Allowance for impairment losses	(1,275,828)	(1,179,900)
Total	52,870,595	57,808,146

Margin accounts are funds that the Group provided to clients in margin financing business. As at 31 December 2022 and 31 December 2021, no margin accounts were pledged for repurchase agreements (Note 37).

As at 31 December 2022, the fair value of securities lent in margin financing business was RMB8,080.08 million (31 December 2021: RMB9,755.35 million).

As at 31 December 2022, the Group received collateral with fair value amounted to RMB183,895.24 million (31 December 2021: RMB226,033.18 million), in connection with its margin financing business.

29 ACCOUNTS RECEIVABLE

	31 December 2022	31 December 2021
Trading deposits for return swaps	6,876,086	19,512,677
Clearing funds receivable	580,036	447,732
Assets management fee receivable	158,069	143,075
Others	3,220,679	2,991,481
	10,834,870	23,094,965
Allowance for impairment losses *(i)*	(9,289)	(19,793)
Total	10,825,581	23,075,172

(i) ECL on accounts receivable arising from revenue recognized in accordance with IFRS 15 – Revenue, is measured using simplified approach under IFRS9. ECL on the rest of accounts receivable is measured using the general approach and as at 31 December 2022, accounts receivable measured using general approach were classified under Stage 1 (31 December 2021: Stage 1).

(In RMB thousands, unless otherwise stated)

29 ACCOUNTS RECEIVABLE (CONTINUED)

(ii) Analyzed by aging

	As at 31 December 2022			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	10,802,954	99.71%	(671)	7.23%
1 to 2 years	17,697	0.16%	(559)	6.02%
2 to 3 years	3,309	0.03%	(449)	4.84%
More than 3 years	10,910	0.10%	(7,610)	81.91%
Total	10,834,870	100.00%	(9,289)	100.00%

	As at 31 December 2021			
	Carrying amount		Allowance for impairment losses	
	Value	Percentage	Value	Percentage
Allowance for impairment losses by portfolio				
Less than 1 year	23,078,664	99.93%	(11,811)	59.67%
1 to 2 years	4,607	0.02%	(197)	1.00%
2 to 3 years	1,803	0.01%	(840)	4.24%
More than 3 years	9,891	0.04%	(6,945)	35.09%
Total	23,094,965	100.00%	(19,793)	100.00%

(In RMB thousands, unless otherwise stated)

30 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2022		
		Fair value	
	Nominal 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

	As at 31 December 2021		
		Fair value	
	Nominal value	Assets	Liabilities
Interest rate derivatives	552,026,250	29	25
Equity derivatives	151,858,094	2,217,103	4,139,812
Currency derivatives	189,498,544	113,129	–
Credit derivatives	174,237	4,980	772
Others	35,367,388	182,701	154,717
Total	928,924,513	2,517,942	4,295,326

Under the "Daily Mark-to-Market and Settlement Arrangement", the Group's future contracts are settled daily. The amount of mark-to-market gain or loss of those unexpired future contracts is reflected in profit or loss and the account captioned "cash and bank balances". As at 31 December 2022, the fair value of the Group's unexpired futures contracts was at losses of RMB87.70 million (31 December 2021: gains of RMB32.41 million).

31 CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated deposit accounts with banks and authorized institutions to hold cash on behalf of customers arising from its normal course of business. The Group has recorded the related amounts as cash held on behalf of clients and the corresponding liabilities as accounts payable to brokerage clients (Note 34). In Mainland China, the use of cash held on behalf of clients for securities trading and settlement is restricted and governed by relevant third-party custodian regulations issued by the CSRC. In Hong Kong, the "Securities and Futures (Client Money) Rules" under the Securities and Futures Ordinance have imposed similar restrictions.

(In RMB thousands, unless otherwise stated)

32 CASH AND BANK BALANCES

	31 December 2022	31 December 2021
Deposits in banks	38,944,880	36,002,716
Total	38,944,880	36,002,716

As at 31 December 2022, the Group had restricted deposits of RMB376.43 million (31 December 2021: RMB766.49 million).

33 OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Interest receivable *(i)*	110,521	119,419
Commodity Inventories	51,442	47,067
Deferred expenses	37,523	30,971
Prepaid expenses	14,273	13,816
Others	590,282	514,949
	804,041	726,222
Allowance for impairment losses	(48,530)	(45,948)
Total	755,511	680,274

(i) As at 31 December 2022 and 31 December 2021, interest income of financial assets accrued under effective interest rate method, which was overdue but not received, was reflected in Interest receivable under other current assets. Interest receivable not yet due were included in the carrying amount of the related financial assets.

34 ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients represents the amounts received from and repayable to clients arising from the ordinary course of the Group's securities brokerage business. For more details, please refer to Cash Held on Behalf of Clients (Note 31).

(In RMB thousands, unless otherwise stated)

35 LEASE LIABILITIES

	31 December 2022	31 December 2021
Current		
Lease liabilities	512,432	444,289
Non-current		
Lease liabilities	1,371,584	1,359,022
Total	1,884,016	1,803,311

As at 31 December 2022, the Group's leases committed but not yet commenced were RMB15.36 million (31 December 2021: RMB414.61 million)(Note 53.2).

36 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Current		
Financial liabilities at fair value through profit or loss (Held for trading)		
– Debt instruments	1,309,424	1,029,622
– Others	123,201	–
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(i)*	5,008,755	1,315,876
– Others	50,000	–
Subtotal	6,491,380	2,345,498
Non-current		
Financial liabilities designated as at fair value through profit or loss		
– Structured notes *(i)*	5,815,574	5,454,391
Total	12,306,954	7,799,889

(i) As at 31 December 2022 and 31 December 2021, the structured notes held by the Group were mainly linked to equity indexes.

(In RMB thousands, unless otherwise stated)

37 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	31 December 2022	31 December 2021
Current		
Analyzed by collateral:		
Debt securities *(Notes 22 and 23)*	106,308,102	81,945,486
Gold	6,100,473	5,880,104
Others *(Notes 22)*	9,745,376	11,770,077
Total	122,153,951	99,595,667

As at 31 December 2022 and 31 December 2021, other collaterals mainly included the standard bonds for pledge-style quotation-driven repurchase.

38 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2022	31 December 2021
Current		
Placements from CSF *(Notes 22 and 23)*	7,524,085	7,528,350
Placements from banks	1,200,484	1,000,306
Total	8,724,569	8,528,656

39 TAXES PAYABLE

	31 December 2022	31 December 2021
Current		
Income tax	710,638	1,019,520
Value added tax	121,048	283,771
Others	109,626	182,860
Total	941,312	1,486,151

(In RMB thousands, unless otherwise stated)

40 SHORT-TERM BORROWINGS

	31 December 2022	31 December 2021
Current		
Analyzed by nature:		
Credit borrowings	1,243,577	101,770
Mortgage borrowings	–	885,604
Total	1,243,577	987,374

As at 31 December 2022 and 31 December 2021, the Group had fixed-rate borrowings which carried interest rate from 3.20% to 6.40% and 0.36% to 4.67%.

As at 31 December 2022, the Group does not provide collateral for its short-term borrowings. As at 31 December 2021, the Group held collateral with fair value amounted to RMB1,049.60 million.

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE

Name	Interest commencement date	Maturity date	Coupon rate	1 January 2022	Increase	Decrease	31 December 2022
Short-term commercial paper							
21 CSC CP014	17/09/2021	16/09/2022	2.75%	3,023,959	58,315	(3,082,274)	–
21 CSC CP015	24/09/2021	24/06/2022	2.75%	3,022,377	39,328	(3,061,705)	–
21 CSC CP016	11/11/2021	11/11/2022	2.79%	2,007,797	48,003	(2,055,800)	–
21 CSC CP017	13/12/2021	09/09/2022	2.68%	3,004,185	55,289	(3,059,474)	–
22 CSC CP001	27/06/2022	16/12/2022	1.99%	–	2,523,444	(2,523,444)	–
22 CSC CP002	13/07/2022	09/12/2022	1.93%	–	4,031,515	(4,031,515)	–
22 CSC CP003	25/07/2022	23/05/2023	2.14%	–	3,028,142	–	3,028,142
22 CSC CP004	27/07/2022	18/01/2023	1.92%	–	3,024,934	–	3,024,934
22 CSC CP005	26/09/2022	09/06/2023	1.96%	–	3,015,626	–	3,015,626
22 CSC CP006	28/09/2022	20/06/2023	2.04%	–	3,015,929	–	3,015,929
22 CSC CP007	12/12/2022	08/09/2023	2.74%	–	2,003,003	–	2,003,003
22 CSC CP008	15/12/2022	15/09/2023	3.00%	–	2,002,795	–	2,002,795
Short-term corporate bond							
22 Xintou S1	22/07/2022	21/10/2022	1.78%	–	1,004,438	(1,004,438)	–
22 Xintou S2	06/09/2022	06/12/2022	1.70%	–	1,006,125	(1,006,125)	–
Structured notes *(i)*				7,231,861	24,252,554	(28,033,596)	3,450,819
Total				18,290,179	49,109,440	(47,858,371)	19,541,248

(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

Name	Interest commencement date	Maturity date	Coupon rate	1 January 2021	Increase	Decrease	31 December 2021
Short-term commercial paper							
20 CSC CP014	14/10/2020	13/01/2021	2.69%	4,023,289	3,538	(4,026,827)	–
20 CSC CP015	03/11/2020	29/01/2021	3.12%	4,522,695	10,770	(4,533,465)	–
20 CSC CP016	26/11/2020	25/02/2021	3.35%	4,013,216	20,192	(4,033,408)	–
20 CSC CP017	16/12/2020	17/03/2021	2.80%	3,504,296	20,137	(3,524,433)	–
21 CSC CP001	11/01/2021	09/04/2021	2.40%	–	4,023,145	(4,023,145)	–
21 CSC CP002	27/01/2021	28/04/2021	2.42%	–	4,024,134	(4,024,134)	–
21 CSC CP003	24/02/2021	26/05/2021	2.89%	–	4,532,423	(4,532,423)	–
21 CSC CP004BC	15/03/2021	11/06/2021	2.62%	–	4,528,425	(4,528,425)	–
21 CSC CP005BC	08/04/2021	25/06/2021	2.35%	–	3,919,585	(3,919,585)	–
21 CSC CP006BC	27/04/2021	23/07/2021	2.35%	–	3,016,804	(3,016,804)	–
21 CSC CP007BC	25/05/2021	20/08/2021	2.29%	–	4,017,065	(4,017,065)	–
21 CSC CP008BC	10/06/2021	08/09/2021	2.35%	–	4,526,075	(4,526,075)	–
21 CSC CP009BC	24/06/2021	17/09/2021	2.40%	–	4,525,151	(4,525,151)	–
21 CSC CP010BC	21/07/2021	19/10/2021	2.28%	–	4,525,299	(4,525,299)	–
21 CSC CP011BC	18/08/2021	16/11/2021	2.18%	–	3,418,276	(3,418,276)	–
21 CSC CP012BC	27/08/2021	28/10/2021	2.10%	–	3,010,701	(3,010,701)	–
21 CSC CP013	08/09/2021	08/12/2021	2.38%	–	2,011,867	(2,011,867)	–
21 CSC CP014	17/09/2021	16/09/2022	2.75%	–	3,023,959	–	3,023,959
21 CSC CP015	24/09/2021	24/06/2022	2.75%	–	3,022,377	–	3,022,377
21 CSC CP016	11/11/2021	11/11/2022	2.79%	–	2,007,797	–	2,007,797
21 CSC CP017	13/12/2021	09/09/2022	2.68%	–	3,004,185	–	3,004,185
Short-term corporate bond							
20 Xintou S2	28/07/2020	28/07/2021	2.90%	1,516,294	27,206	(1,543,500)	–
21 Xintou S1	29/07/2021	29/12/2021	2.45%	–	1,013,949	(1,013,949)	–
Structured notes *(i)*				24,716,254	38,315,877	(55,800,270)	7,231,861
Total				42,296,044	100,548,937	(124,554,802)	18,290,179

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(In RMB thousands, unless otherwise stated)

41 SHORT-TERM FINANCING INSTRUMENTS PAYABLE (CONTINUED)

As at 31 December 2022 and 31 December 2021, there were no defaults related to any short-term financing instruments payable by the Group.

As at 31 December 2022 and 31 December 2021, the interests of short-term financing instruments payable measured by the effective interest rate method were included in the carrying amount of the related financial instruments, which amounted to RMB119.03 million and RMB91.76 million, respectively.

(i) As at 31 December 2022 and 31 December 2021, the fixed annual interest rate ranges of the structured notes issued by the Group are 1.70%-5.10% and 2.40%-3.35%, respectively.

42 OTHER CURRENT LIABILITIES

	31 December 2022	31 December 2021
Bonds in issue with maturity within one year *(1)*	39,571,541	44,293,792
Trading deposits for return swaps	14,324,847	15,462,829
Salaries, bonuses and allowances payable	4,349,541	4,705,290
Settlement deposits payable	1,584,605	1,214,642
Amounts due to other holders of consolidated structured entities at fair value	1,100,279	1,207,726
Accounts payable to underwriting clients	606,803	478,081
Dividends payable *(Note 15 and 45)*	582,841	355,589
Futures settlement risk funds payable	181,735	145,032
Provision	51,199	59,546
Securities investor protection fund payable	41,266	57,625
Funds payable to securities holders	5,980	5,980
Others	11,636,846	7,378,884
Total	74,037,483	75,365,016

(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES (CONTINUED)

(1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows:

		31 December 2022	31 December 2021
19 Xintou C1	1)	–	5,707,566
19 Xintou C2	2)	–	5,147,340
19 Xintou C3	3)	–	4,102,516
20 Xintou G1	4)	5,117,734	–
20 Xintou G3	5)	3,053,437	–
20 Xintou G4	6)	3,047,628	–
20 Xintou G5	7)	4,564,084	–
20 Xintou C1	8)	–	4,170,064
20 Xintou C2	9)	1,003,248	–
20 Xintou C3	10)	–	5,200,351
20 Xintou C4	11)	1,001,338	–
21 Xintou C1	12)	–	2,063,833
21 Xintou C3	13)	–	3,076,022
21 Xintou C5	14)	–	3,575,881
21 Xintou C7	15)	–	1,015,295
21 Xintou C9	16)	–	4,556,883
21 Xintou 11	17)	4,025,204	–
21 Xintou 14	18)	2,003,804	–
21 Xintou 16	19)	2,999,712	–
19 CSC Financial Bond 01	20)	–	4,056,979
Structured notes	21)	12,755,352	1,621,062
Total		39,571,541	44,293,792

42 OTHER CURRENT LIABILITIES (CONTINUED)

(1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows (continued):

1) In January 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5.5 billion. The bond pays interest annually at 4.00% per annum and is not guaranteed. The bond was fully redeemed in January 2022.

2) In April 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB5 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed. The bond was fully redeemed in April 2022.

3) In May 2019, the Company privately issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 4.12% per annum and is not guaranteed. The bond was fully redeemed in May 2022.

4) In March 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB5 billion. The bond pays interest annually at 2.94% per annum and is not guaranteed.

5) In April 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 2.56% per annum and is not guaranteed.

6) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB3 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.

7) In July 2020, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4.5 billion. The bond pays interest annually at 3.46% per annum and is not guaranteed.

8) In November 2020, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4 billion. The bond pays the principal and interest at maturity at 3.90% per year and is not guaranteed. The bond was fully redeemed in February 2022.

9) In November 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.20% per annum and is not guaranteed.

10) In December 2020, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB5 billion. The bond pays the principal and interest at maturity at 3.84% per year and is not guaranteed. The bond was fully redeemed in March 2022.

11) In December 2020, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 4.18% per annum and is not guaranteed.

12) In January 2021, the Company publicly issued a 546-day fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.50% per annum, the last-period interest is paid along with the redemption of the principal and is not guaranteed. The bond was fully redeemed in July 2022.

13) In March 2021, the Company publicly issued a 455-day fixed rate subordinated bond with a face value of RMB3 billion. The bond pays the principal and interest at maturity at 3.40% per year and is not guaranteed. The bond was fully redeemed in June 2022.

(In RMB thousands, unless otherwise stated)

42 OTHER CURRENT LIABILITIES (CONTINUED)

(1) Bonds in issue with maturity within one year as at 31 December 2022 and 31 December 2021 were as follows (continued):

14) In April 2021, the Company publicly issued a 456-day fixed rate subordinated bond with a face value of RMB3.5 billion. The bond pays the principal and interest at maturity at 3.27% per year and is not guaranteed. The bond was fully redeemed in July 2022.

15) In June 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB1 billion. The bond pays the principal and interest at maturity at 3.30% per year and is not guaranteed. The bond was fully redeemed in September 2022.

16) In July 2021, the Company publicly issued a 457-day fixed rate subordinated bond with a face value of RMB4.5 billion. The bond pays the principal and interest at maturity at 3.05% per year and is not guaranteed. The bond was fully redeemed in October 2022.

17) In October 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.43% per annum and is not guaranteed.

18) In November 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.

19) In December 2021, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB3 billion. The bond pays interest annually at 3.07% per annum and is not guaranteed.

20) In August 2019, the Company publicly issued a 3-year fixed rate financial bond with a face value of RMB4 billion. The bond pays interest annually at 3.52% per annum and is not guaranteed. The bond was fully redeemed in August 2022.

21) As at 31 December 2022 and 31 December 2021, the Company had structured notes named "Gushouxin series" amounted to RMB1,070.43 million and RMB0.10 million, "Zhiyingbao series" amounted to RMB11,051.87 million and RMB1,520.94 million, "Kanzhangbao series" amounted to RMB633.05 million and RMB100.02 million, respectively, the remaining tenure of which were less than one year. These structured notes accrue interests at fixed annual rate or floating rate linked to one or more stock indexes, of which the fixed annual rate were 2.60% to 4.40% and 3.00% to 3.95%, respectively. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

43 BONDS IN ISSUE

	31 December 2022	31 December 2021
Corporate bonds in issue	33,032,622	23,150,209
Subordinated bonds in issue	24,480,593	25,223,533
Structured notes in issue	4,697,223	11,646,450
Total	62,210,438	60,020,192

(1) As at 31 December 2022 and 31 December 2021, there were no defaults related to any bonds in issue.

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue

		31 December 2022	31 December 2021
Corporate bonds			
20 Xintou G1	42(1)4)	–	5,107,844
20 Xintou G2	1)	1,022,822	1,021,672
20 Xintou G3	42(1)5)	–	3,047,560
20 Xintou G4	42(1)6)	–	3,043,052
20 Xintou G5	42(1)7)	–	4,558,698
CSCIF A N2508	2)	3,497,654	3,198,713
CSCIF A N2406	3)	3,473,315	3,172,670
22 Xintou F1	4)	1,006,147	–
22 Xintou F2	5)	5,021,688	–
22 Xintou F3	6)	1,002,712	–
22 Xintou F4	7)	3,009,920	–
22 Xintou G1	8)	2,001,867	–
22 Xintou G2	9)	2,002,726	–
22 Xintou G3	10)	2,502,399	–
22 Xintou G4	11)	1,998,858	–
22 Xintou G5	12)	999,551	–
22 Xintou G6	13)	1,499,574	–
22 Xintou G7	14)	3,993,389	–
Subtotal		33,032,622	23,150,209
Subordinated bonds			
20 Xintou C2	42(1)9)	–	1,001,959
20 Xintou C4	42(1)11)	–	1,000,051
21 Xintou C2	15)	1,035,523	1,034,404
21 Xintou C4	16)	1,029,271	1,028,159
21 Xintou C6	17)	2,050,062	2,047,845
21 Xintou C8	18)	2,545,628	2,542,798
21 Xintou 10	19)	1,522,702	1,521,290
21 Xintou 11	42(1)17)	–	4,021,408
21 Xintou 12	20)	2,012,558	2,011,006
21 Xintou 13	21)	4,019,264	4,015,541
21 Xintou 14	42(1)18)	–	2,000,968
21 Xintou 16	42(1)19)	–	2,998,104
22 Xintou C1	22)	4,103,663	–
22 Xintou C2	23)	2,060,572	–
22 Xintou C3	24)	1,024,375	–
22 Xintou C4	25)	2,055,112	–
22 Xintou C6	26)	1,021,863	–
Subtotal		24,480,593	25,223,533
Structured notes	27)	4,697,223	11,646,450
Carrying amount		62,210,438	60,020,192

43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

1) In March 2020, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.13% per annum and is not guaranteed.

2) In August 2020, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 5-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.75%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.

3) In June 2021, CSCIF Asia Limited, an indirect wholly owned subsidiary of the Company, issued a 3-year medium-term note with a face value of USD0.5 billion and an annual interest rate of 1.125%. The note pays interest every six months, and is guaranteed unconditionally and irrevocably by CSC Financial Co., Ltd.

4) In September 2022, the Company privately issued a 5-year fixed rate corporate bond with a face value of RMB1 billion, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.65% per annum and is not guaranteed.

5) In September 2022, the Company privately issued a 7-year fixed rate corporate bond with a face value of RMB5 billion, which offers the options, at the end of the fifth year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 3.02% per annum and is not guaranteed.

6) In October 2022, the Company privately issued a 5-year fixed rate corporate bond with a face value of RMB1 billion, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.68% per annum and is not guaranteed.

7) In October 2022, the Company privately issued a 7-year fixed rate corporate bond with a face value of RMB3 billion, which offers the options, at the end of the fifth year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond pays interest annually at 2.99% per annum and is not guaranteed.

8) In November 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 2.55% per annum and is not guaranteed.

9) In November 2022, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 2.89% per annum and is not guaranteed.

10) In November 2022, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.29% per annum and is not guaranteed.

11) In December 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB2 billion. The bond pays interest annually at 3.08% per annum and is not guaranteed.

12) In December 2022, the Company publicly issued a 5-year fixed rate corporate bond with a face value of RMB1 billion. The bond pays interest annually at 3.29% per annum and is not guaranteed.

13) In December 2022, the Company publicly issued a 10-year fixed rate corporate bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.55% per annum and is not guaranteed.

14) In December 2022, the Company publicly issued a 3-year fixed rate corporate bond with a face value of RMB4 billion. The bond pays interest annually at 3.49% per annum and is not guaranteed.

15) In January 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.87% per annum and is not guaranteed.

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43 BONDS IN ISSUE (CONTINUED)

(2) The details of bonds in issue (Continued)

16) In March 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.88% per annum and is not guaranteed.

17) In April 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.70% per annum and is not guaranteed.

18) In June 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2.5 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.

19) In July 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1.5 billion. The bond pays interest annually at 3.50% per annum and is not guaranteed.

20) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.75% per annum and is not guaranteed.

21) In October 2021, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 3.68% per annum and is not guaranteed.

22) In January 2022, the Company publicly issued a 2-year fixed rate subordinated bond with a face value of RMB4 billion. The bond pays interest annually at 2.90% per annum and is not guaranteed.

23) In January 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.45% per annum and is not guaranteed.

24) In February 2022, the Company publicly issued a 3-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.08% per annum and is not guaranteed.

25) In February 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB2 billion. The bond pays interest annually at 3.49% per annum and is not guaranteed.

26) In April 2022, the Company publicly issued a 5-year fixed rate subordinated bond with a face value of RMB1 billion. The bond pays interest annually at 3.57% per annum and is not guaranteed.

27) As at 31 December 2022, the Company had structured notes named "Zhiyingbao series" amounted to RMB4,697.22 million, which accrue interests at a fixed annual rate in the range of 3.30%~3.60%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

As at 31 December 2021, the Company had structured notes named "Zhiyingbao series" amounted to RMB10,636.26 million, and "Gushouxin series" amounted to RMB1,010.19 million, which accrue interests at a fixed annual rate in the range of 3.90%~4.40% and 4.00%, with a remaining tenure of more than one year. The principal and interest of these structured notes are payable at maturity and are not guaranteed.

44 SHARE CAPITAL

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	31 December 2022	31 December 2021
Issued and fully paid ordinary shares of RMB1 each *(in thousands)*		
– A shares	6,495,671	6,495,671
– H shares	1,261,024	1,261,024
Total	7,756,695	7,756,695

45 OTHER EQUITY INSTRUMENTS

Other equity instruments of the Group are as follows：

– In August 2019, the Company issued the first tranche of perpetual subordinated bonds of 2019 amounted to RMB5 billion.

– In March 2020, the Company issued the first tranche of perpetual subordinated bonds of 2020 amounted to RMB5 billion.

– In May 2021, the Company publicly issued perpetual subordinated bonds of 2021 amounted to RMB5 billion.

– In March 2022, the Company publicly issued the first tranche of perpetual subordinated bonds of 2022 amounted to RMB4.5 billion.

– In June 2022, the Company publicly issued the second tranche of perpetual subordinated bonds of 2022 amounted to RMB3.5 billion.

– In August 2022, the Company publicly issued the third tranche of perpetual subordinated bonds of 2022 amounted to RMB2 billion.

The issuance terms related to the equity attributes of other equity instruments that existed at the end of the reporting year are as follows:

– The bonds are repriced every 5 interest-accruing years, and at the end of the repricing cycle, the issuer has the option to extend the bonds for another repricing cycle (another five years) or redeem them in full;

– The bonds offer no redemption option to the investors so that investors cannot require the issuer to redeem their bonds during the duration of the bonds;

– The Company has the option to defer interest payment, except in the event of mandatory interest payments, so that at each interest payment date, the issuer may choose to defer the interest payment to the next payment date for the current period as well as all interests and accreted interests already deferred according to the related terms, without any limitation with respect to the number of deferrals. Mandatory interest payment events are limited to dividend distributions to ordinary equity holders and reductions of registered capital;

– The priority over repayment of the 2019, the 2020, the 2021, the 2022 1st, the 2022 2nd and the 2022 3rd perpetual subordinated bonds is subordinated to the Company's general debts and other subordinated debt, unless in the event of liquidation of the Company, investors of these bonds cannot require the Company to accelerate payment of bonds' principals.

The perpetual subordinated bonds issued by the Company are classified as equity instruments, and recognized under equity in the consolidated statement of financial position. As at 31 December 2022, the interest payable of perpetual subordinated bonds was RMB582.84 million (31 December 2021: RMB355.59 million)(Note 42).

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.

(In RMB thousands, unless otherwise stated)

47 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash and bank balances	38,944,880	36,002,716
Less: Restricted deposits *(Note 32)*	(376,428)	(766,491)
Interest receivable	(7,498)	(873)
Cash and cash equivalents	38,560,954	35,235,352

48 INTERESTS IN STRUCTURED ENTITIES

The Group is involved with structured entities primarily through investments and asset management business. The Group determines whether to consolidate these structured entities depending on whether the Group has control over them.

(1) Structured entities included in consolidated financial statements

Considering that the Company acts as either the investment manager for the structured entities, or as principal in investing in part of the shares issued by the structured entities, bearing most or all the risk of the products and obtaining most or all of the variable returns, the Group therefore consolidated these structured entities in its consolidated financial statements.

As at 31 December 2022 and 31 December 2021, total assets of consolidated structured entities, the Group's investments and maximum exposure arising from its investments in consolidated structured entities are as follows:

	31 December 2022	31 December 2021
Total assets	8,328,447	3,507,497
Investments	6,743,730	3,516,356
Maximum exposure	6,853,562	3,421,651

(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.

(In RMB thousands, unless otherwise stated)

48 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

(2) Interests in unconsolidated structured entities (Continued)

(i) Structured entities sponsored by the Group (Continued)

For the year ended 31 December 2022, the Group earned management fee, commission and performance fee amounted to RMB1,293.69 million (31 December 2021: RMB1,070.14 million) from these unconsolidated structured entities sponsored by the Group, for which the Group held no interest in during and as at the end of the reporting year.

As at 31 December 2022 and 31 December 2021, the maximum exposure and the carrying amount of relevant balance sheet items of the Group arising from these unconsolidated structured entities, for which the Group held interests in as at the end of the reporting year, were set out as below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
– Carrying amount	6,197,813	4,943,891
– Maximum exposure	6,277,668	4,989,692

(ii) Structured entities sponsored by third party financial institutions

As at 31 December 2022 and 31 December 2021, the amount of maximum exposure and the book value of relevant balance sheet items of the Group arising from the interest held of directly invested structured entities sponsored by third party financial institutions were equal, which set out as below:

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	58,518,953	44,034,920

49 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or customers. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

Repurchase transactions

Transferred financial assets that do not qualify for derecognition include debt securities held by counterparties as collateral under repurchase transactions. The counterparties are allowed to re-pledge those securities sold under repurchase transactions in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require counterparties to return part of collateral or be required to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them. A financial liability is recognized for cash received.

Securities lending arrangements

Transferred financial assets that do not qualify for derecognition include securities lent to customers for securities selling transactions, for which the customers provide the Group with collateral that could fully cover the credit risk exposure of the securities lent. The customers have an obligation to return the securities according to the contracts. If the securities increase or decrease in value, the Group may in certain circumstances be required to return part of collateral or require counterparties to place additional collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore does not derecognize them.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31 December 2022	31 December 2021
Carrying amount of transferred assets		
– Securities lending	2,884,397	2,582,014
Total	2,884,397	2,582,014

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50 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Capital commitments

	31 December 2022	31 December 2021
Contracted, but not provided for	179,285	52,023

The above-mentioned capital commitments are primarily in respect of the equity investment, purchase of equipment and decoration of properties by the Group.

(2) Legal proceedings

The Company and its subsidiaries are subject to claims and are parties to legal and regulatory proceedings in their ordinary course of businesses. As at 31 December 2022 and 31 December 2021, management of the Group believes that the Group was not involved in any material legal, or arbitration proceedings that if adversely determined, would have material impact on its financial position or results of operations of the Group.

(3) Others

On 19 November 2022, a listed company, Amethystum Storage Technology Co., Ltd. (the "Amethystum Storage"), announced that the CSRC intends to take administrative penalty against it due to suspected fraudulent issuance and the alleged violation of laws and regulations in respect of information disclosure (the "Event"). The Company is the sponsor and lead underwriter of Amethystum Storage's initial public offering on the sci-tech innovation board of the Shanghai Stock Exchange. The impact of the Event on the Company is still uncertain as at 31 December 2022.

(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 2022 and 31 December 2021, Beijing Financial Holdings Group Co., Ltd. ("Beijing Financial Holdings Group") owned 34.61% of the equity interest of the Company.

Beijing Financial Holdings Group was established by State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality, which is an integrated financial investment holding platform and managed as a municipal level I enterprise.

The transactions between Beijing Financial Holdings Group and the Group are in the ordinary course of business under normal commercial terms and conditions. Corresponding transactions and balances with this institution were as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Fee and commission income	1,100	–
Interest income	308	424
Fee and commission expenses	(24)	(1,259)
Interest expenses	(325)	(161)
Other operating expenses and costs	(97)	(97)

	31 December 2022	31 December 2021
Assets		
Cash and bank balances	21,460	163,799
Financial assets at fair value through profit or loss	–	100,307
Liabilities		
Other current liabilities	56	26
Accounts payable to brokerage clients	1	1

(2) Central Huijin and companies under Central Huijin

As at 31 December 2022 and 31 December 2021, Central Huijin Investment Limited ("Central Huijin") owned 30.76% of the equity interest of the Company.

Central Huijin is a wholly-owned subsidiary of China Investment Corporation, which is incorporated in Beijing, the PRC. Central Huijin has equity interests in certain other banks and financial institutions under the direction of the PRC government and does not engage in other commercial activities. Central Huijin exercises its legal rights and assumes obligations related to the Company on behalf of the PRC Government.

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(2) Central Huijin and companies under Central Huijin (Continued)

The Group enters into transactions with Central Huijin and its affiliated companies in the ordinary course of business under normal commercial terms. Corresponding transactions and balances with these banks and financial institutions were as follows:

	Year ended 31 December 2022	2021
Fee and commission income	74,204	134,997
Interest income	586,383	403,866
Other income	506	1,894
Fee and commission expenses	(196,789)	(113,298)
Interest expenses	(197,414)	(160,979)
Other operating expenses and costs	(2,248)	(766)

	31 December 2022	31 December 2021
Assets		
Cash held on behalf of clients	14,674,007	15,630,605
Financial assets at fair value through profit or loss	6,224,409	4,687,554
Cash and bank balances	5,975,580	5,305,147
Financial assets at fair value through other comprehensive income	1,065,422	10,473
Accounts receivable	532,705	35,095
Financial assets held under resale agreements	421,050	–
Right of use assets	97,964	4,721
Derivative financial assets	78,355	119,640
Other current assets	6,484	20,310
Liabilities		
Financial assets sold under repurchase agreements	9,159,203	6,269,076
Short-term borrowings	640,301	81,767
Placements from banks and other financial institutions	300,144	–
Accounts payable to brokerage clients	106,109	15,315
Lease liabilities	98,302	4,544
Derivative financial liabilities	71,980	214,888
Financial liabilities at fair value through profit or loss	1,643	–
Other current liabilities	757,715	796,087

(In RMB thousands, unless otherwise stated)

51 RELATED PARTY DISCLOSURES (CONTINUED)

(3) Government related entities

According to the provisions of IAS 24 – Related Parties Disclosures, government entities controlled and jointly controlled by the PRC government and their subsidiaries (the "government related entities") are also regarded as related parties of the Group.

Part of the Group's transactions including securities and futures dealing and broking, underwriting of debt securities, purchase and sale of government bonds, and equity and debt securities issued by other government related entities are entered into with government related entities.

Directors of the Company consider that transactions with government related entities are activities conducted in the ordinary course of business under normal commercial terms and conditions, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the counterparties are government related entities.

(4) Other major shareholders and its related parties

The Group's major transactions and balances with other major shareholders and its related parties were as follows:

	Year ended 31 December	
	2022	2021
Fee and commission income	24,129	29,330
Interest income	230,810	223,726
Other income	807	–
Fee and commission expenses	(30,719)	(67,203)
Interest expenses	(42,185)	(17,923)
Other operating expenses and costs	(8,130)	(4,981)

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51 RELATED PARTY DISCLOSURES (CONTINUED)

(4) Other major shareholders and its related parties (Continued)

	31 December 2022	31 December 2021
Assets		
Cash held on behalf of clients	9,137,826	5,920,567
Cash and bank balances	2,023,722	1,101,030
Financial assets at fair value through profit or loss	1,931,181	1,157,115
Right-of-use assets	561,432	–
Accounts receivable	309,484	35,098
Financial assets at fair value through other comprehensive income	149,976	–
Financial assets held under resale agreements	65,282	–
Derivative financial assets	24,562	26,262
Other current assets	298	284
Liabilities		
Lease liabilities	612,471	–
Accounts payable to brokerage clients	547,461	672,376
Short-term borrowings	89,601	–
Derivative financial liabilities	5,967	9,781
Financial liabilities at fair value through profit or loss	570	–
Other current liabilities	64,758	13,809

(5) The Group's associates

The Group entered into transactions with its associates at arm's length in the ordinary course of business. Management considers that transactions between the Group and its associates are not significant.

(6) Key management personnel

Key management personnel are those who have the authority and responsibility to directly or indirectly plan, direct and control the Group activities, including the board of directors, the board of supervisors and other senior management personnel. In 2022, the Group's remuneration paid for key management personnel were RMB125.43 million (2021: RMB137.22 million).

52 FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: where the inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: where the inputs are observable for the assets and liabilities, either directly or indirectly, other than quoted prices in Level 1.

Level 3: where the inputs are unobservable inputs for relevant assets or liabilities.

The Group uses valuation techniques or counterparty quotations to determine fair value when market prices are not available in active markets.

The major parameters used in valuation techniques include, among others, underlying securities prices, interest rates, foreign exchange rates, volatilities, which are all observable and available from an active market.

For certain unlisted equity securities (private equity securities), thinly traded equity securities, subordinated tranche of asset-backed securities, certain over-the-counter derivative contracts and trust plans, the management uses counterparty quotations or valuation techniques to determine their fair value. Valuation techniques used primarily include discount cash flow model, option pricing model and comparable companies methods, etc. The fair value measurement of these financial instruments may use unobservable inputs that may have significant impact on the valuation results, and therefore, the Group includes them as Level 3 assets and liabilities. The unobservable parameters that may have impacts on the valuation include, among others, liquidity discount, price to book ratio and volatility of underlying assets. As at 31 December 2022 and 31 December 2021, the fair value of the financial assets and liabilities classified under level 3 is not significantly sensitive to a reasonable change in these unobservable inputs. The Group has implemented internal control procedures to monitor and control the Group's exposures to such financial instruments.

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	11,443,882	79,780,596	42,336	91,266,814
– Equity investments	25,720,624	–	8,538,883	34,259,507
– Fund investments	10,441,602	14,096,554	–	24,538,156
– Others	50,887	32,204,560	4,991,216	37,246,663
Subtotal	47,656,995	126,081,710	13,572,435	187,311,140
Financial assets at fair value through other comprehensive income				
– Debt instruments	97,344	70,531,923	401	70,629,668
– Equity instruments	90,311	–	–	90,311
Subtotal	187,655	70,531,923	401	70,719,979
Derivative financial assets	345,991	1,262,494	1,254,931	2,863,416
Total assets	48,190,641	197,876,127	14,827,767	260,894,535
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	–	1,309,424	123,201	1,432,625
– Financial liabilities designated as at fair value through profit or loss	–	51,636	10,822,693	10,874,329
Subtotal	–	1,361,060	10,945,894	12,306,954
Derivative financial liabilities	292,238	1,447,385	1,518,921	3,258,544
Total liabilities	292,238	2,808,445	12,464,815	15,565,498

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(1) Financial instruments recorded at fair value (Continued)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt instruments	7,974,743	79,186,453	56,572	87,217,768
– Equity investments	20,990,911	35,274	6,767,301	27,793,486
– Fund investments	9,607,676	6,998,598	167	16,606,441
– Others	5,220	26,259,353	3,665,648	29,930,221
Subtotal	38,578,550	112,479,678	10,489,688	161,547,916
Financial assets at fair value through other comprehensive income				
– Debt instruments	2,123,695	46,136,443	401	48,260,539
– Equity instruments	97,607	–	–	97,607
Subtotal	2,221,302	46,136,443	401	48,358,146
Derivative financial assets	307,716	1,643,790	566,436	2,517,942
Total assets	41,107,568	160,259,911	11,056,525	212,424,004
Financial liabilities at fair value through profit or loss				
– Financial liabilities held for trading	1,029,622	–	–	1,029,622
– Financial liabilities designated as at fair value through profit or loss	–	–	6,770,267	6,770,267
Subtotal	1,029,622	–	6,770,267	7,799,889
Derivative financial liabilities	300,537	1,761,219	2,233,570	4,295,326
Total liabilities	1,330,159	1,761,219	9,003,837	12,095,215

(In RMB thousands, unless otherwise stated)

52 FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

(2) Movements in Level 3 Financial Instruments measured at fair value

Movements in Level 3 Financial Instruments measured at fair value in each year are as follow:

	Year ended 31 December 2022				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2022	10,489,688	401	566,436	6,770,267	2,233,570
Total gains or losses for the year	612,281	–	796,686	(1,041,758)	(2,766,893)
Increases	8,391,835	–	59,447	9,796,490	3,398,550
Decreases	(5,255,764)	–	(167,638)	(4,579,105)	(1,346,306)
Transfers to Level 1 from Level 3	(665,605)	–	–	–	–
31 December 2022	13,572,435	401	1,254,931	10,945,894	1,518,921
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	612,281	–	796,686	1,041,758	2,766,893

	Year ended 31 December 2021				
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Derivative financial assets	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2021	5,050,054	2,494	338,266	1,590,589	1,344,869
Total gains or losses for the year	46,199	6,783	521,633	473,149	1,648,446
Total gains recorded in other comprehensive income	–	(31)	–	–	–
Increases	8,915,820	–	360,004	14,935,089	1,208,471
Decreases	(7,531,674)	(8,845)	(653,467)	(10,228,560)	(1,968,216)
Transfers to Level 3 from Level 2	4,009,289	–	–	–	–
31 December 2021	10,489,688	401	566,436	6,770,267	2,233,570
Gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	46,199	6,783	521,633	(473,149)	(1,648,446)

(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 2022, the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB165.66 million.

During the year ended 31 December 2021, the amount of financial assets at fair value through profit and loss from Level 1 to Level 2 were RMB10.01 million and the amount of financial assets at fair value through profit and loss from Level 2 to Level 1 were RMB504.05 million.

(5) Financial assets and financial liabilities not measured at fair value

The information below summarizes the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the consolidated statement of financial position. As at 31 December 2022 and 31 December 2021, financial assets and financial liabilities for which the carrying amounts approximate fair value, including financial assets held under resale agreements, refundable deposits, margin accounts, accounts receivable, cash held on behalf of clients, cash and bank balances, lease liabilities, accounts payable to brokerage clients, financial assets sold under repurchase agreements, placements from banks and other financial institutions, short-term borrowings and short-term financing instruments payable are not listed in the table below.

As at 31 December 2022 and 31 December 2021, the carrying amounts and fair value of bonds in issue (including bonds in issue with maturity within one year) are summarized below:

	31 December 2022	31 December 2021
Bonds in issue (including bonds in issue with maturity within one year)		
– Carrying amount *(Notes 42 and 43)*	101,781,979	104,313,984
– Fair value	100,955,243	104,852,092

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The management considers effective risk management a critical element in ensuring the Group's successful operations. Therefore, the Group has established a set of comprehensive risk management and internal control systems to enable the Group to monitor, evaluate and manage various financial risks in its business activities, including primarily credit risk, market risk, liquidity risk and operational risk, etc.

The Group's risk management and control system is not significantly changed compared to 31 December 2021.

Structure of risk management

The Board

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

The Board of Directors is the Group's highest decision-making body in risk management, which makes decisions with respect to the Group's overall risk management strategies and policies, fundamental systems, internal control arrangements, and actions to address material risks faced by the Group, among other things.

The Risk Management Committee under the Board of Directors is responsible for supervising the overall risk management of the Group and ensuring the associated risks are adequately managed so that risk management activities can be effectively carried out through the Group's business and operating activities. The Board's Risk Management Committee also has the following responsibilities: preparing the overall risk management policies for the Board's deliberation; determining the strategic structure and resources for risk management so that they are aligned with the internal risk management policies; setting limits for major risks; and supervising and reviewing the risk management policies and making recommendations to the Board.

The Operation Management

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

The Company Risk Management Committee of the Executives Committee is responsible for discussing and proposing the Group's risk preference and tolerance as well as overall risk limits, important specific risk limits and risk control criteria for further decision-making; review and approval of specific risk limits and risk control criteria for each business lines; drafting and promoting the implementation of various risk management rules and measures; review and approval of new businesses and products; review and approval of the Group's risk reports and routine compliance risk reports; and formulating risk control strategies and plans for material business matters.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Structure of risk management (Continued)

The Operation Management (Continued)

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

The Department, Branch and Subsidiary

Each and every department and branch/subsidiary of the Group, whose responsible person assumes primary responsibility for the risk management of the unit, within their respective roles and responsibilities, is responsible for following the decisions, rules and procedures, and risk management policies, and implementing risk-control measures and engaging in direct risk control efforts in their business activities. Every staff of the Group has the responsibility of diligence, prudent prevention and timely reporting on the effectiveness of risk management.

The Risk Management Department that is responsible for risk management of the Group, the Legal and Compliance Department that is responsible for legal affairs and compliance management, and the Audit Department that is responsible for the Group's internal audit activities are the three independent risk management functions that establish their own rules and procedures and operate independently to promote risk management of the Group. Specifically, the Risk Management Department is responsible for risk management before and during the event through risk monitoring and assessment, the Legal Compliance Department is responsible for managing the overall legal and compliance risks of the Group, and the Audit Department is responsible for conducting audits to identify material defects in key rules and procedures and processes, as well as internal control weakness, and supervising corrections and rectifications.

In addition, pursuant to the needs of risk management in investment banking business, aligned with the regulatory requirements, the Company has established the Internal Audit Department. Through such review at the company level, the Company conducts final risk control prior to the delivery of investment banking projects, and assumes the decision making responsibility of the ultimate approval of materials and documents to be submitted, reported, issued or disclosed in the name of the Company.

Risk management activities

The Risk Management Department works with business and management departments to identify major risks and critical controls during the course of different business and management activities, issue the "Risk Classification and Key Control List", and continue to update the same in light of business changes and monitoring findings.

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

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk management activities (Continued)

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

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

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

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

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control

Financial risks in the Group's daily operating activities primarily include market risk, liquidity risk, credit risk, and operational risk. The Group has established specific policies and procedures to identify and address these risks, set out appropriate risk limits and internal control processes to manage these risks, and built integrated control system and information technology systems to continuously monitor these risks.

53.1 Credit risk

Credit risks refer to the risks of an economic loss caused by the failure of customers, counterparties or issuers of debt financing instruments (also referred to as financiers) to perform their contractual obligations.

Credit risks of the Group relating to the securities financing business, which includes margin financing and stock pledge repurchase agreement, are primarily attributed to a decline in value, or insufficient liquidity of collateral provided by customers; customers' failure to repay debts in full in a timely manner due to legal disputes over collateral assets; and operational misconducts including fraudulent credit information, violation of contracts and regulatory requirements. Control over credit risks for the securities financing business is managed primarily through risk management education programs for customers, credit due diligence and verification of customers, risk assessment on collateralized (pledged) securities, setup of trading limits, daily mark to market of exposure, issuing risk notification to customers, margin calls, forced position liquidation and legal recourse. The Group performs an assessment of the need for any allowance for impairment in accordance with the ECL model of the accounting standards of IFRS 9, and actively carries out debt recovery activities for defaulting customers.

Credit risk relating to bond investments is primarily due to the decline in the creditworthiness of credit issuer of the debt financing instruments or defaults, counterparty defaults. The Group carries out due diligence for issuers and counterparties, establishes internal ratings for issuers, debts and counterparties, manages the access and size of transactions according to the internal and external rating, and controls credit risk using other tools for subsequent monitoring and management. During the year ended 31 December 2022, the Group maintains good credit quality of its investment portfolio, optimizes the issuer rating and credit granting and concentration management mechanism, strengthens risk early warning, and effectively control the loss of default.

The Group controls credit risks relating to over-the-counter derivative transactions by setting counterparty ratings and credit lines, enhancing the review of derivatives contract terms, and setting limits on the size of transactions and related credit risk exposures before transactions can take place. The Group monitors and controls credit risk exposure of counterparties within established limits by adopting mark-to-market practices of derivative transactions and related collateral as well as forced position liquidating procedures.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

In order to manage the credit risk arising from the brokerage business, securities brokerage transactions in mainland China are all settled on a fully pledged basis, which enables settlement risks associated with brokerage business to be well under control. The Group strictly complies with relevant trading and settlement rules and procedures to prevent non-compliant financing operations for clients. In addition, for bond-pledged repurchase agreement transaction, through due diligence, establishment of reasonable customer limits and haircut on collateral bonds, setting standards for minimum collateral level of qualified securities and leverage ratios, concentration limits for single securities used as collateral and other measures, the Group prevents customer under-collateralisation. For option transactions, the Group takes measures including margin deposit management, limits setting and forced liquidation control to manage customers' credit risk.

Furthermore, the Company's Risk Management Department monitors credit risk on an ongoing basis, including monitoring the total amount of credit transactions and credit exposures of the same customer, tracking the qualifying credit status of counterparties and bond issuers, monitoring the collateral coverage of securities and financial business, requiring the business department to fulfill its post-investment management duties, as well as using stress testing and sensitivity analysis, amongst other techniques, to measure the credit risk of major business lines.

Expected credit loss measurement

The measurement of the ECL allowance for the debt financial instruments measured at amortized cost and at fair value through other comprehensive income, is an area that requires the use of models and assumptions about the future economic conditions and credit behavior of the clients (such as the likelihood of customers defaulting and the resulting losses).

The Group has applied a "three-stage" impairment model for ECL measurement based on changes in credit quality since the initial recognition of financial assets as summarized below:

– A financial instrument that is not credit-impaired on initial recognition is classified as "Stage 1" and has its credit risk continuously monitored by the Group;

– If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired;

– If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".

Stage 1: The Group measures the loss allowance for a financial instrument at an amount equal to the next 12 months ECL. Stage 2 and Stage 3: The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. The Group has measured the loss allowance for these financial instruments at an amount equal to the lifetime ECL.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

For financial assets applied ECL measurement and classified under Stages 1 and 2, management assesses credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to IFRS 9, involves judgements, assumptions and estimations.

– Selection of the appropriate models and determination of relevant key measurement parameters;

– Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred;

– Determination of forward-looking measurements and weightings;

– The estimated future cash flows for the financial assets classified under Stage 3.

Measuring ECL – models and parameters

The ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The Group fully considers forward-looking information when measuring ECL. ECL is the discounted product of the PD, LGD, and EAD after considering the forward-looking impact.

– PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. For securities financing business, the Group determines the PD by borrower based on factors including the coverage ratio of underlying collateral value to margin loan (collateral to loan ratio) and the volatility of such collateral's valuation. For debt securities investments, internal credit rating is taken into consideration.

– LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For securities financing business, the Group determines LGD, based on factors including the realizable value of collateral upon forced liquidation taking into consideration the estimated volatility over the realization period. For debt securities investments, LGD is determined based on assessed publicly available information from credit rating agencies, and type of securities.

– EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

The criteria of Significant increase in credit risk (SICR)

The Group evaluates debt financial instruments to identify whether a SICR has occurred since initial recognition at each balance sheet date. An ECL allowance of financial assets is recognized according to the stage in which the assets are classified. This takes account of what reasonable information, including forward looking information, is available to identify whether a SICR had arisen. The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For securities financing business, the Group sets differentiated collateral to loan ratios as triggering margin calls and force liquidation thresholds (force liquidation thresholds generally no less than 130%) against different exposures related to these transactions, based on the obligors' credit quality, operation situation, contract maturity date, the volatility and liquidity of related collateral securities, and related performance information.

For securities financing business, the Group considers securities financing business to have experienced a SICR if collateral to loan ratios are lower than the force liquidation thresholds, which means a decline in collateral valuation or the quality of the third-party collateral is significantly reduced. As at 31 December 2022 and 31 December 2021, over 95% of the securities financing balances of the Group were covered by collateral value of over the force liquidation thresholds of related loan or repo amounts.

For debt securities investments, the Group makes use of its internal rating measurement system's results. The Group considers debt securities investments to have experienced a SICR if the latest internal ratings of the issuers of debt securities or the debt securities themselves underwent two notches of downward migration or more, compared with those ratings as at the acquisition date; and if the latest internal rating of issuers of debt securities or the debt securities themselves were under the predetermined grading. As at 31 December 2022 and 31 December 2021, majority of the debt securities investments of the Group were rated as investment grade or above and there was no SICR.

A backstop is applied to all relevant financial assets and they are considered to have experienced a SICR if the borrower, the counterparty, the issuer or the debtor is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for financial instruments, such as cash and bank accounts, settlement reserve, refundable deposits, financial assets held under resale agreements collateralized by debt securities.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Definition of default and credit impairment

The Group assesses whether a financial instrument has been credit-impaired in a manner consistent with its internal credit risk policies for managing financial instruments. The consideration includes qualitative criteria, quantitative criteria and upper limit. The Group defines a financial instrument as credit-impaired, which is fully aligned with the definition of "in default", when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For securities financing business, forced liquidation of a client's position is triggered based on a predetermined threshold of loan to collateral ratios; whereby the collateral valuation falls short of the related loan or repo amounts;
- The latest internal ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor, issuer, borrower or counterparty is in significant financial difficulty;
- An active market for that financial asset has disappeared because of debtor's financial difficulties;
- Concessions have been made by the Group relating to the debtor, issuer, borrower or counterparty's financial difficulty;
- It is becoming probable that the debtor, issuer, borrower, or counterparty will enter bankruptcy or undertake a financial restructuring, etc.

When a financial asset is considered to be credit-impaired, it may be the result of multiple events, not due to a separately identifiable event.

In summary, the "three-stage" classification criteria for securities financing business is:

– Securities financing business with collateral to loan ratios above the force liquidation thresholds and those past due for no more than 30 days are classified under Stage 1.

– Securities financing business with collateral to loan ratios fall below the pre-determined force liquidation thresholds but above 100%; or those past due for more than 30 days but no more than 90 days are classified under Stage 2.

– Securities financing business with collateral to loan ratios fall below 100%; or those past due for more than 90 days are classified under Stage 3.

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 revaluates the quantity and characteristic of these scenarios at each balance sheet date. As at 31 December 2022 and 31 December 2021, the Group set three scenarios of optimism, base and pessimism for analysis of main product types, and the probability-weight of base scenario adopted by the Group was more than that of the other scenarios.

In 2022, the Company's key macroeconomic indicators used in various macroeconomic scenarios include the month-on-month ratio of macroeconomic prosperity leading index and the average guarantee ratio in the margin market, the weighted average forecasts under optimistic, base and pessimistic scenarios of which are decreasing by 1.16% and decreasing by 2.01%, respectively.

The assessment of SICR is performed using the Lifetime PD under each of the base and other scenarios multiplied by the associated scenario weighting, as well as qualitative criteria, quantitative criteria and upper limit. The Group measures ECL as either a probability weighted 12-month ECL or a probability weighted lifetime ECL. These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

As at 31 December 2022, by taking current economy situation and international circumstances into comprehensive consideration, the Company updated the relevant economic indicators used for forward-looking measurement according to the latest economic forecast. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes as at the financial statement date.

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, weighting applied to economic scenarios and other factors considered when applying expert judgement. Changes in these inputs, assumptions and judgements are likely to have an impact on the measurement of ECLs.

As mentioned above, the Group adopts three scenarios for all portfolios, being the optimistic scenario, base scenario and pessimistic scenario. A sensitivity analysis was applied to these scenarios as at 31 December 2022 and 31 December 2021 and the results were as follows:

(i) The incremental impact on the ECL allowance of applying the probability weighted scenarios was no more than a 10% deviation from the base ECL scenario;

(ii) The decremental impact on the ECL allowance of increasing the weighting applied to the optimistic scenario by 10% and a corresponding reduction of 10% weighting applied to the base scenario was no more than 10% of the ECL allowance;

(iii) The incremental impact of shifting 10% of the weighting from the base case scenario to the pessimistic scenario was no more than 10% of the ECL allowance.

Meanwhile, the Group also uses sensitivity analysis to monitor the impact of changes to the credit risk classification of financial assets on ECL. As at 31 December 2022 and 31 December 2021 assuming there was no SICR since initial recognition, and all the financial assets in Stage 2 were moved to Stage 1, the decremental impact on ECL allowance recognized in statement of financial position would be less than 5%.

Collateral and other credit enhancements

The Group employed a range of policies and credit enhancements to mitigate credit risk exposure to an acceptable level. The most common of these is accepting collateral for funds advanced or guarantee. The Group determined the type and amount of collateral according to the credit risk evaluation of counterparties. The collateral under margin financing and reverse repurchase agreements is primarily stocks, debt securities, funds etc. The management would test the market value of collateral periodically, and send margin calls according to related agreements, also monitor the market value fluctuation of collaterals when reviewing the measurement of the loss allowance.

Impairment provision of securities financing business

As at 31 December 2022, the percentage of impairment provision applied by the Group on securities financing business under the Stage 1, Stage 2 and Stage 3 were 0.40%, 0.79% and 91.02%, respectively (31 December 2021: 0.21%，4.12% and 70.85%).

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

Expected credit loss measurement (Continued)

Credit risk exposure analysis

As at 31 December 2022 and 31 December 2021, the credit quality of the Group's financing exposures to customers was in good condition and over 95% of the securities financing business of the Group were with collateral to loan ratios no lower than the force liquidation thresholds. High threshold of margin loans to collateral ratios indicated that PD was low. For debt securities investments, the Group employed both open market credit ratings and internal credit ratings simultaneously as admittance criteria. The debt securities will be admitted only when the internal and external ratings criteria are met. Majority of the Group's debt securities investments were rated as investment grade (AA) or above externally.

The Group's maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

	31 December 2022	31 December 2021
Financial assets at fair value through other comprehensive income	70,629,668	48,260,539
Financial assets held under resale agreements	25,551,300	19,021,754
Refundable deposits	10,881,160	10,395,629
Margin accounts	52,870,595	57,808,146
Financial assets at fair value through profit or loss	146,841,837	128,418,814
Derivative financial assets	2,863,416	2,517,942
Cash held on behalf of clients	103,904,955	88,118,755
Deposits in banks	38,944,880	36,002,716
Others	11,478,314	23,663,592
Total maximum credit risk exposure	463,966,125	414,207,887

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

	31 December 2022			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	25,212,735	211,284	656,952	26,080,971
Loss allowance	(26,565)	(1,277)	(501,829)	(529,671)
Book value	25,186,170	210,007	155,123	25,551,300
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	13,357,931	650,260	660,253	14,668,444
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	52,806,668	63,927	–	52,870,595
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	70,629,267	–	401	70,629,668
Loss allowance	(729,656)	–	(13,372)	(743,028)

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

	31 December 2021			
	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
ECL	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
Financial assets held under resale agreements				
Carrying amount	18,338,264	–	1,325,320	19,663,584
Loss allowance	(12,703)	–	(629,127)	(641,830)
Book value	18,325,561	–	696,193	19,021,754
Including: stock-pledged repurchase business				
Carrying amount	3,026,091	–	1,325,320	4,351,411
Loss allowance	(12,703)	–	(629,127)	(641,830)
Collateral	11,840,014	–	2,632,884	14,472,898
Margin accounts				
Carrying amount	57,923,903	1,362	1,062,781	58,988,046
Loss allowance	(117,063)	(56)	(1,062,781)	(1,179,900)
Book value	57,806,840	1,306	–	57,808,146
Financial assets at fair value through other comprehensive income (debt instruments)				
Book value	48,260,138	–	401	48,260,539
Loss allowance	(417,714)	–	(13,372)	(431,086)

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

The movements of loss allowance are mainly affected by:

- Increases are primarily attributable to new financial instruments recognized, changes in PD, LGD and expected cash flow recovery rate affected by market changes, the resulted movements amongst Stage 1, Stage 2 and Stage 3, and updates of parameters and assumptions in the ECL model;
- Reversals include the reversals caused by the redemption or disposal of financial assets, the impact of changes in model parameters and assumption;
- Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding measurement basis changes between the 12-month (12M) or the Lifetime basis; and
- Foreign exchange and other movements include changes in foreign exchange translations for assets denominated in foreign currencies and other movements.

The Group's credit risk exposure of financial instruments for which an ECL allowance is recognized as follows according to the stage of ECL:

(i) Credit loss allowance for margin accounts

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2022	117,063	56	1,062,781	1,179,900
Increases	146,130	71	–	146,201
Reversals	(58,868)	(178)	(820)	(59,866)
Write-offs	–	–	(804)	(804)
Transfer:				
Stage 1 to stage 2	(1,018)	1,018	–	–
Stage 2 to stage 1	56	(56)	–	–
Foreign exchange and other movements	237	–	10,160	10,397
31 December 2022	203,600	911	1,071,317	1,275,828

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(i) Credit loss allowance for margin accounts (Continued)

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	99,346	2	1,069,322	1,168,670
Increases	95,814	54	2,197	98,065
Reversals	(78,089)	–	(5,170)	(83,259)
Write-offs	–	–	(341)	(341)
Transfer:				
Stage 1 to stage 2	(2)	2	–	–
Stage 1 to stage 3	(1)	–	1	–
Stage 2 to stage 1	2	(2)	–	–
Foreign exchange and other movements	(7)	–	(3,228)	(3,235)
31 December 2021	117,063	56	1,062,781	1,179,900

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(ii) Credit loss allowance for financial assets held under resale agreements

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	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)
Write-offs	–	–	–	–
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

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	41,902	576	1,043,291	1,085,769
Increases	5,034	–	164,631	169,665
Reversals	(33,483)	(576)	(579,538)	(613,597)
Write-offs	–	–	–	–
Transfer:				
Stage 1 to stage 3	(743)	–	743	–
Foreign exchange and other movements	(7)	–	–	(7)
31 December 2021	12,703	–	629,127	641,830

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.1 Credit risk (Continued)

(iii) Credit loss allowance for financial assets at fair value through other comprehensive income (debt instruments)

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	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

	Stage of ECL			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL (Credit-impaired)	
1 January 2021	297,592	–	20,124	317,716
Increases	258,258	–	–	258,258
Reversals	(137,611)	–	–	(137,611)
Write-offs	(462)	–	(6,752)	(7,214)
Foreign exchange and other movements	(63)	–	–	(63)
31 December 2021	417,714	–	13,372	431,086

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk

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

The Group has established clear decision-making levels, authority delegation and risk control rules and procedures, and clearly defined the roles and responsibilities of the Board of Directors, executive management and business departments in liquidity risk control. The Asset and Liability Management Committee of the Executives Committee is responsible for organizing and managing the asset and liability allocation plan of the Group, reviewing and approving the internal valuation interest rate of capital and emergency plans for liquidity risk. The Group established the Treasury Department to initiate the management of the liquidity of its proprietary funds, accounting for expanding mid- and long-term stable funding channels, reasonably adjusting the asset allocation among various business lines, and steadily optimizing its assets and liabilities structure. The Group implements liquidity risk limits management and conducts daily and monthly liquidity position analyzes to manage liquidity movements. For effective management of market liquidity risk of its securities portfolios, the Group has implemented securities centralization management for securities investment and financing activities, and has adopted credit rating criteria for fixed-income securities investments. The Group has improved its daily practice for liquidity risk management and control mechanism with the assistance of liquidity reserve asset management system, refining internal funds transfer pricing (FTP) system, as well as establishing and optimizing liquidity emergency plans and stress tests. During the year ended 31 December 2022, the Group has appropriately planned its scale and structure of assets and liabilities, promoted the overall management of liabilities, and maintained sufficient liquidity reserve and ensured its regulatory liquidity coverage ratio and net stable funding ratio were being fully complied with, and its liquidity risk was closely monitored and controlled.

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(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The maturity profile of the financial liabilities as at the end of the reporting year, based on their contractual undiscounted payments, is as follows:

	31 December 2022					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
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.

(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 2021					
	Overdue/ repayable on demand	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Accounts payable to brokerage clients	93,082,812	–	–	–	–	93,082,812
Derivative financial liabilities	4,263,723	25,515	6,088	–	–	4,295,326
Financial liabilities at fair value through profit or loss	–	77,454	2,270,557	5,454,392	–	7,802,403
Financial assets sold under repurchase agreements	–	97,193,025	2,497,310	–	–	99,690,335
Placements from banks and other financial institutions	–	8,553,649	–	–	–	8,553,649
Short-term borrowings	–	987,408	–	–	–	987,408
Short-term financing instruments payable	–	6,756,536	11,755,938	–	–	18,512,474
Bonds in issue	–	283,694	1,220,906	62,258,639	–	63,763,239
Lease liabilities	–	169,276	333,136	1,423,211	19,615	1,945,238
Others *(i)*	25,677,287	15,549,250	29,917,864	4,657	596	71,149,654
Total	123,023,822	129,595,807	48,001,799	69,140,899	20,211	369,782,538
Cash flows from derivative financial liabilities settled on a net basis	4,263,723	24,520	7	–	–	4,288,250
Gross-settled derivative financial liabilities	–	995	6,081	–	–	7,076
Contractual amounts receivable	–	–	–	–	–	–
Contractual amounts payable	–	995	6,081	–	–	7,076

(i) Others mainly include bonds in issue with maturity within one year, and trading deposits for return swaps.

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.2 Liquidity risk (Continued)

The table below analyzes the Group's lease agreements, which were committed as at 31 December 2022 and 31 December 2021 but not commenced into the relevant maturity groupings based on their contractual maturities:

	31 December 2022				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	4,115	3,773	6,583	889	15,360

	31 December 2021				
	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Lease liabilities	39,804	73,785	209,869	91,147	414,605

53.3 Market risk

Market risk represents risk of fluctuations in fair values or future cash flows of financial instruments due to movements in market prices. Market risks primarily include stock price risk, interest rate risk, foreign exchange rate risk, and other price risks.

For market risks, the Group has established a sound risk management organizational structure and built risk management processes that enables end-to-end coverage of investment activities before, during and after making the investments, with risk limits applied to every investment. The Group annually reviews and approves risk limits for the Group as well as each and every proprietary business lines, including exposure limits, stop-loss limits, VaR limits, sensitivity index limit and stress testing limits, and charges the Risk Management Department to monitor and supervise their implementation and compliance. The Group has adopted daily mark-to-market practices, and implemented stop-loss procedures commensurate with its trading strategies. On a regular basis, the Group assesses the risk tolerance of its proprietary business lines, the effectiveness of its risks control and the income level after risk adjustments, and includes the assessment results in the performance evaluation of these business lines. The Group makes on-going efforts to improve its proprietary business management system, including automated controls over relevant limit indicators.

During the year ended 31 December 2022, while the Group earns reasonable investment returns, market risks are effectively controlled within the scope of various risk limit indicators.

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(1) Value at risk (VaR)

The Group adopts VaR as a tool to measure the market risk of its entire securities investment portfolio comprising different types and varieties of financial instruments. VaR is a method that estimates the maximum possible loss on the portfolio due to movements in market interest rates or securities prices over a specified time period and within a given confidence level.

The VaR of the Group's investment portfolio is calculated using the portfolio's historical data information. Although VaR analysis is a key instrument for measuring market risk, it has to rely on historical data and relevant information, and accordingly, it has certain inherent limitations so that it may not accurately predict the future changes of risk factors and in particular, cannot effectively reflect the risk under extreme market conditions. As a supplementary measure, the Group implements daily and specific stress tests to assess the impact on extreme adverse movements in risk indicators to the net capital of the Group and the profit and loss on proprietary portfolio and proposes emergency plans with relevant recommendations and measures accordingly.

Consistent with its internal risk management policy and comparable with peers, the Group's VaR was computed at a confidence level of 95% and with a holding period of 1 trading day. The Group's VaR analysis by risk categories is summarized as follows:

	31 December 2022	31 December 2021
Equity price-sensitive financial instruments	123,439	97,736
Interest rate-sensitive financial instruments	148,913	75,604

(2) Interest rate risk

Interest rate risk represents the risk of losses to the fair values or future cash flows of financial instruments due to adverse movements in market interest rates. The Group's interest rate risk primarily comes from the interest rate-sensitive financial instruments whose fair values are subject to changes due to adverse movements in market interest rates.

The Group primarily uses interest rate sensitivity analysis to monitor its interest rate risk. Sensitivity analysis measures the impact of fair value changes of financial instruments held at the period-end on the Group's total revenue and total equity when reasonable and possible changes occur to interest rates, assuming all other variables remain the same and market interest rates shift in a parallel manner and not considering any risk management actions that the management may take to reduce its interest rate risk.

(In RMB thousands, unless otherwise stated)

53 FINANCIAL INSTRUMENTS RISK MANAGEMENT (CONTINUED)

Risk analysis and control (Continued)

53.3 Market risk (Continued)

(2) Interest rate risk (Continued)

Interest rate sensitivity analysis of are as follows:

Sensitivity to revenue	31 December 2022	31 December 2021
Change in basis points		
+25 basis points	(596,311)	(605,412)
– 25 basis points	597,584	609,842

Sensitivity to equity	31 December 2022	31 December 2021
Change in basis points		
+25 basis points	(336,732)	(273,109)
– 25 basis points	339,545	275,879

(3) Foreign currency rate risk

As at 31 December 2022, the foreign exchange exposure is approximately RMB2,637 million (31 December 2021: RMB6,177 million). The Group manages its foreign exchange rate risk by implementing integrated management of domestic and foreign Fixed-Income securities, Currencies and Commodities (FICC) and derivatives business, and manages its foreign exchange risk by limiting the scale of foreign-currency-denominated assets and liabilities and the comprehensive position of foreign exchange settlement and sales, setting the company's self-operated investment stop-loss limit, risk exposure limit, and using foreign exchange derivative risk hedging tools. The majority of its income-generating business activities under the current structure are conducted in RMB, with only a small portion denominated in foreign currencies. Given the small portion of the foreign-currency-denominated businesses in both its assets and liabilities portfolio and income structure, the Group believes that its foreign exchange rate risk has an insignificant impact on its current operations.

(4) Other price risks

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

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.

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(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31 December 2022	31 December 2021
Non-current assets			
Property, plant and equipment		645,995	686,133
Right-of-use assets		1,727,858	1,615,935
Investment properties		38,142	49,146
Intangible assets		636,303	488,614
Investment in subsidiaries	20	11,550,844	9,267,283
Investment in associates		54,579	49,918
Financial assets at fair value through profit or loss		1,096,117	1,132,155
Financial assets held under resale agreements		4,868	9,906
Refundable deposits		5,652,195	5,635,200
Deferred tax assets		1,700,521	1,827,820
Other non-current assets		79,238	78,459
Total non-current assets		23,186,660	20,840,569
Current assets			
Margin accounts		52,606,442	57,669,167
Accounts receivable		10,189,482	22,575,105
Financial assets at fair value through profit or loss		164,742,703	143,148,517
Financial assets at fair value through other comprehensive income		63,819,804	45,182,442
Derivative financial assets		2,942,801	2,505,063
Financial assets held under resale agreements		25,468,071	18,942,844
Cash held on behalf of clients		88,299,059	76,612,157
Cash and bank balances		36,001,575	33,015,196
Other current assets		542,032	1,173,152
Total current assets		444,611,969	400,823,643
Total assets		467,798,629	421,664,212

(In RMB thousands, unless otherwise stated)

54 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Note	31 December 2022	31 December 2021
Current liabilities			
Accounts payable to brokerage clients		88,534,251	76,834,652
Lease liabilities		456,192	378,849
Derivative financial liabilities		3,470,581	4,294,036
Financial liabilities at fair value through profit or loss		6,298,681	2,345,498
Financial assets sold under repurchase agreements		116,585,918	98,157,721
Placements from banks and other financial institutions		8,724,569	8,528,656
Taxes payable		823,236	1,330,614
Short-term financing instruments payable		19,439,574	18,290,179
Other current liabilities		71,567,578	73,556,317
Total current liabilities		315,900,580	283,716,522
Net current assets		128,711,389	117,107,121
Total assets less current liabilities		151,898,049	137,947,690
Non-current liabilities			
Bonds in issue		55,239,469	53,648,810
Lease liabilities		1,295,838	1,213,580
Financial liabilities at fair value through profit or loss		5,815,574	5,454,392
Deferred tax liabilities		703,048	1,184,870
Other non-current liabilities		2,368	5,117
Total non-current liabilities		63,056,297	61,506,769
Net assets		88,841,752	76,440,921
Equity			
Share capital		7,756,695	7,756,695
Other equity instruments		24,906,528	14,937,500
Reserves		32,261,275	30,494,605
Retained earnings		23,917,254	23,252,121
Total equity		88,841,752	76,440,921

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(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2022		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921
Profit for the year		–	–	–	–	–	–	6,570,633	6,570,633
Other comprehensive income for the year		–	–	–	–	–	(222,683)	–	(222,683)
Total comprehensive income for the year		–	–	–	–	–	(222,683)	6,570,633	6,347,950
Capital injected by equity holders		–	–	–	–	–	–	–	–
– Capital injected by other equity instrument holders	45	–	9,969,028	–	–	–	–	–	9,969,028
Appropriation to surplus reserves	46	–	–	–	657,063	–	–	(657,063)	–
Appropriation to general reserves	46	–	–	–	–	1,332,290	–	(1,332,290)	–
Dividends – 2021	15	–	–	–	–	–	–	(3,063,894)	(3,063,894)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	(852,253)	(852,253)
At 31 December 2022		7,756,695	24,906,528	12,428,414	5,865,081	13,523,437	444,343	23,917,254	88,841,752

The net profit of the Company for the year ended 31 December 2022 amounted to RMB6,571 million (2021: RMB9,237 million).

(In RMB thousands, unless otherwise stated)

55 STATEMENT OF CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserves	General reserves	Investment revaluation reserve	Retained Earnings	Total
At 1 January 2021		7,756,695	9,961,509	12,428,414	4,284,302	10,324,359	293,363	20,261,917	65,310,559
Profit for the year		–	–	–	–	–	–	9,237,154	9,237,154
Other comprehensive income for the year		–	–	–	–	–	373,663	–	373,663
Total comprehensive income for the year		–	–	–	–	–	373,663	9,237,154	9,610,817
Capital injected by equity holders		–	–	–	–	–	–	–	–
– Capital injected by other equity instrument holders	45	–	4,975,991	–	–	–	–	–	4,975,991
Appropriation to surplus reserves	46	–	–	–	923,716	–	–	(923,716)	–
Appropriation to general reserves	46	–	–	–	–	1,866,788	–	(1,866,788)	–
Dividends – 2020	15	–	–	–	–	–	–	(2,908,761)	(2,908,761)
Distribution to other equity instrument holders	15	–	–	–	–	–	–	(547,685)	(547,685)
At 31 December 2021		7,756,695	14,937,500	12,428,414	5,208,018	12,191,147	667,026	23,252,121	76,440,921

FOR THE YEAR ENDED 31 DECEMBER 2022

(In RMB thousands, unless otherwise stated)

56 EVENTS AFTER THE REPORTING PERIOD

(1) Issuance of corporate bond

In January 2023, the Company privately issued a corporate bond with a face value of RMB3 billion. The bond can be divided into two categories: (a) the "23 Xintou F1" has a face value of RMB0.5 billion, with a maturity of 3 years and a nominal rate of 3.20%, which offers the options, at the end of the second year, for the Company to adjust the coupon rate, or the investors to sell back the bond; (b) the "23 Xintou F2" has a face value of RMB2.5 billion, with a maturity of 5 years and a nominal rate of 3.35%, which offers the options, at the end of the third year, for the Company to adjust the coupon rate, or the investors to sell back the bond. The bond accrues interest at fixed rate per annum, pays interest annually and is not guaranteed.

In February 2023, the Company privately issued a 2-year fixed rate corporate bond ("23 Xintou F3") with a face value of RMB1.5 billion. The bond pays interest annually at 3.10% per annum and is not guaranteed.

(2) Issuance of short-term commercial paper

In January 2023, the Company publicly issued a 277-day fixed rate commercial paper with a face value of RMB2.5 billion ("23 CSC CP001"). The bond pays the principal and interest at 2.55% per annum at maturity and is not guaranteed.

In January 2023, the Company publicly issued a 360-day fixed rate commercial paper with a face value of RMB2 billion ("23 CSC CP002"). The bond pays the principal and interest at 2.78% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 358-day fixed rate commercial paper with a face value of RMB3 billion ("23 CSC CP003"). The bond pays the principal and interest at 2.72% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 183-day fixed rate commercial paper with a face value of RMB3 billion ("23 CSC CP004"). The bond pays the principal and interest at 2.57% per annum at maturity and is not guaranteed.

In February 2023, the Company publicly issued a 182-day fixed rate commercial paper with a face value of RMB1 billion ("23 CSC CP005"). The bond pays the principal and interest at 2.65% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 173-day fixed rate commercial paper with a face value of RMB2 billion ("23 CSC CP006"). The bond pays the principal and interest at 2.62% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 362-day fixed rate commercial paper with a face value of RMB3 billion ("23 CSC CP007"). The bond pays the principal and interest at 2.78% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 182-day fixed rate commercial paper with a face value of RMB3 billion ("23 CSC CP008"). The bond pays the principal and interest at 2.57% per annum at maturity and is not guaranteed.

In March 2023, the Company publicly issued a 359-day fixed rate commercial paper with a face value of RMB2 billion ("23 CSC CP009"). The bond pays the principal and interest at 2.72% per annum at maturity and is not guaranteed.

(3) Dividend

On 30 March 2023, the Board of directors proposes a cash dividend of RMB2.70 (tax inclusive) per 10 ordinary shares, amounting to RMB2,094 million (tax inclusive) in total based on 7,756,694,797 shares for the year ended 31 December 2022. The dividend distribution represents 31.47% of profit for the year 2022 attributable to equity holders of the Company (excluding interest on perpetual subordinated bonds) in the consolidated financial statements. The remaining undistributed profit will be carried forward to the following years. Such proposal is subject to the approval by the ordinary equity holders in the Annual General Meeting.

China Securities (International) Finance Holding Company Limited

Directors' report and audited financial statements
for the year ended 31 December 2023

Contents

Directors' Report

The directors are pleased to submit their report together with the audited consolidated financial statements of China Securities (International) Finance Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

Principal place of business

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Principal activities

The principal activities of the Company and its subsidiaries are investment holding, provision of corporate finance, securities brokerage, insurance brokerage and asset management services. The activities of the subsidiaries are set out in note 12 to the consolidated financial statements.

Recommended dividend

The results of the Group for the year ended 31 December 2023 and the Group's financial position at that date are set out in the consolidated financial statements on pages 7 to 10.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2023 (2022: Nil).

Charitable Donations

Charitable and other donations made by the Group during the year amounted to HK$38,900 (2022:HK$42,280).

Share capital

Details of movements in the Company's share capital during the year are set out in note 25 to the financial statements.

Directors

The directors of the Company during the year and up to the date of report were:

Mr. Huang Ling	
Mr. Li Geping	(resigned on 26 June 2023)
Mr. Liu Naisheng	
Mr. Peng Wende	(resigned on 16 February 2023)
Mr. Wang Guangxue	
Mr. Xu Tao	(appointed on 16 February 2023)
Mr. Jiang Yueqin	(appointed on 26 June 2023)

There being no provision in the Company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

During the year and up to the date of this report, Mr. Liu Naisheng, Mr. Wang Guangxue and Mr. Xu Tao are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Wen Jie, Ms. Xue Lan, Mr. Li Xinwei, Mr. Dai Bo, Mr. Li Xudong, Ms. Li Huajing, Mr. Yu Siu Lung and Ms. Vanessa Rovene Gilman.

Mr. Peng Wende and Mr. Li Geping resigned on 16 February 2023 and 26 June 2023 respectively as director of the Group. Mr. Peng Wende and Mr. Li Geping have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Group needed to be brought to the attention of the shareholders of the Group.

Indemnity of directors

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

Directors' interests in transactions, arrangements or contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or entities connected with the director had a material interest, subsisted at the end of the year or at any time during the year.

Directors' interests in the shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company a party to any arrangement to enable the directors of the Company to hold any interests in the shares, or debentures of, the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Business review

No business review is presented as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance since it is a wholly-owned subsidiary of CSC Financial Co., Ltd.

Auditors

KPMG were first appointed as auditors of the Company in 2023 upon the retirement of PricewaterhouseCoopers.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Jiang Yueqin
Director

Hong Kong,

17 APR 2024

KPMG

Independent auditor's report to the member of China Securities (International) Finance Holding Company Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Securities (International) Finance Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 7 to 68, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, 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 policy information and other explanatory information.

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the 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.

KPMG

Independent auditor's report to the member of China Securities (International) Finance Holding Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

Auditor's responsibilities for the audit of the 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, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditor's report to the member of China Securities (International) Finance Holding Company Limited (continued)

(incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

Certified Public Accountants

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

17 April 2024

Consolidated statement of profit or loss for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	*2023* HK$	*2022* HK$
Revenue	4	276,798,662	290,381,926
Other income	5	755,611,756	535,641,561
Other gain/(loss), net	6	222,308,381	(207,884,688)
Administrative and other operating expenses	7	(430,032,619)	(409,978,843)
Reversal of provision for/(provision for) credit impairment losses on financial assets	17,19	3,090,936	(7,670,615)
Operating profit		827,777,116	200,489,341
Finance costs	8	(607,672,695)	(275,989,689)
Profit/(loss) before tax		220,104,421	(75,500,348)
Income tax	10	(4,350,236)	(41,594,949)
Profit/(loss) for the year		215,754,185	(117,095,297)

The notes on pages 14 to 68 form part of these financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	2023 HK$	*2022* HK$
Profit/(loss) for the year	215,754,185	(117,095,297)
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to profit or loss:		
- Changes in fair value of debt instruments designated as at fair value through other comprehensive income	67,686,222	(215,851,058)
- Net gains/(losses) on investments in debt instruments measured at fair value through other comprehensive income reclassified to profit or loss on disposal	73,919,752	(7,718,412)
- Impact of deferred tax	(23,364,986)	36,888,962
- Currency translation differences	314,458	(216,252)
Items that will not be reclassified subsequently to profit or loss:		
- Changes in fair value of investment in equity instrument designated as at fair value through other comprehensive income	(28,726,390)	(18,280,430)
Other comprehensive income for the year	89,829,056	(205,177,190)
Total comprehensive income for the year	305,583,241	(322,272,487)

The notes on pages 14 to 68 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2023

(Expressed in Hong Kong dollars)

	Note	*2023* HK$	*2022* HK$
Non-current assets			
Property, plant and equipment	11	18,631,909	19,741,963
Right-of-use assets	14	47,881,911	78,123,118
Other long-term assets		23,629,261	25,886,992
Intangible asset	13	1,000,000	1,000,000
Deferred tax assets	16	60,162,448	92,750,430
Prepayments, deposits and other receivables		13,341,568	12,232,805
Total non-current assets		164,647,097	229,735,308
Current assets			
Accounts receivable	17	1,559,854,241	980,030,476
Prepayments, deposits and other receivables		137,742,540	124,952,102
Financial assets at fair value through profit or loss	18	11,479,759,623	10,330,659,024
Financial assets at fair value through other comprehensive income	19	9,630,056,110	7,015,603,186
Amount due from immediate holding company	26	707,385,579	786,603,443
Amount due from a fellow subsidiary	26	72,849,623	73,945,168
Bank trust account balances	20	975,437,414	1,323,128,828
Cash and cash equivalents	20	1,477,389,553	679,247,314
Total current assets		26,040,474,683	21,314,169,541
Current liabilities			
Accounts payable	21	2,129,008,146	2,422,984,266
Other payables and accruals		306,788,646	227,935,953
Lease liabilities	15	33,104,380	31,726,144
Financial liabilities at fair value through profit or loss	18	332,346,866	375,399,973
Bank borrowings	22	5,105,357,191	6,727,442,904
Notes payable	23	855,759,449	113,048,687
Bonds payable	24	3,903,933,670	-
Tax payable		6,538,854	11,799,485
Total current liabilities		12,672,837,202	9,910,337,412
Net current assets		13,367,637,481	11,403,832,129

Consolidated statement of financial position as at 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	Note	*2023* HK$	*2022* HK$
Non-current liabilities			
Deferred tax liabilities	16	-	11,539,346
Lease liabilities	15	19,971,069	53,075,449
Bonds payable	24	9,411,549,981	7,773,772,355
Total non-current liabilities		9,431,521,050	7,838,387,150
Net assets		4,100,763,528	3,795,180,287
Capital and reserves			
Share capital	25	4,000,000,000	4,000,000,000
Retained earnings/(accumulated loss)		177,098,796	(38,655,389)
Reserves		(76,335,268)	(166,164,324)
Total equity		4,100,763,528	3,795,180,287

Approved and authorised for issue by the board of directors on 17 APR 2024

Jiang Yueqin
Director

Xu Tao
Director

The notes on pages 14 to 68 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company				
	Share capital HK$	*Retained earnings/ (accumulated losses)* HK$	*Exchange reserve* HK$	*Other reserves* HK$	*Total equity* HK$
Balance at 1 January 2022	4,000,000,000	77,282,003	811,350	38,201,516	4,116,294,869
Impact of changes in accounting policy	-	1,157,905	-	-	1,157,905
Adjusted balance at 1 January 2022	4,000,000,000	78,439,908	811,350	38,201,516	4,117,452,774
Loss for the year	-	(117,095,297)	-	-	(117,095,297)
Other comprehensive income for the year	-	-	(216,252)	(204,960,938)	(205,177,190)
Total comprehensive income for the year	-	(117,095,297)	(216,252)	(204,960,938)	(322,272,487)
Balance at 31 December 2022 and 1 January 2023	4,000,000,000	(38,655,389)	595,098	(166,759,422)	3,795,180,287
Profit for the year	-	215,754,185	-	-	215,754,185
Other comprehensive income for the year	-	-	314,458	89,514,598	89,829,056
Total comprehensive income for the year	-	215,754,185	314,458	89,514,598	305,583,241
Balance at 31 December 2023	4,000,000,000	177,098,796	909,556	(77,244,824)	4,100,763,528

The notes on pages 14 to 68 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Note	*2023* HK$	*2022* HK$
Cash flows from operating activities			
Profit/(loss) before tax		220,104,421	(75,500,348)
Adjustments for:			
Finance costs	8	607,672,695	275,989,689
Unrealised exchange difference		4,710,930	(68,372,193)
Other interest income	5	(36,818,200)	(13,662,935)
Bond interest income	5	(648,949,726)	(455,540,950)
Dividend income	5	(36,074,833)	(40,380,218)
Loss on disposal of property, plant and equipment	6	2,803	-
(Reversal of provision for)/provision for credit impairment losses on financial assets	17,19	(3,090,936)	7,670,615
Unrealised (gain)/loss on financial assets at fair value through profit or loss	6	(438,772,981)	159,835,915
Depreciation of property, plant and equipment	7	8,393,552	7,006,069
Depreciation of right-of-use assets	7	30,241,207	38,677,273
		(292,581,068)	(164,277,083)
Decrease/(increase) in other long-term assets		2,257,731	(2,810,118)
(Increase)/decrease in prepayments, deposits and other receivables		(13,899,201)	86,171,377
Increase in accounts receivable		(576,021,091)	(219,883,487)
Decrease in bank trust account balances		347,691,414	606,456,493
Decrease/(increase) in amount due from immediate holding company		79,217,864	(594,900,282)
Decrease in amount due from a fellow subsidiary		1,095,545	6,843,567
(Decrease)/increase in accounts payable		(329,832,209)	406,052,609
(Decrease)/increase in other payables and accruals		(4,971,678)	35,361,062
Cash (used in)/generated from operations		(787,042,693)	159,014,138
Interest received		36,818,200	11,003,165
Income tax paid		(11,756,529)	(165,330)
Net cash (used in)/generated from operating activities		(761,981,022)	169,851,973

Consolidated statement of cash flows for the year ended 31 December 2023 (continued)

(Expressed in Hong Kong dollars)

	Note	*2023* HK$	*2022* HK$
Cash flows from investing activities			
Bond interest received		648,949,726	334,534,388
Dividend received		36,074,833	40,380,218
Purchase of property, plant and equipment	11	(7,286,301)	(7,088,840)
Net proceeds from disposal of financial assets/financial liabilities at fair value through profit or loss		39,139,642,485	23,529,702,567
Proceeds from disposal of financial assets at fair value through other comprehensive income		12,998,995,458	2,383,009,378
Net payment for purchase of financial assets/financial liabilities at fair value through profit or loss		(39,961,028,159)	(25,649,978,316)
Purchase of financial assets at fair value through other comprehensive income		(15,438,157,206)	(6,941,435,026)
Net cash used in investing activities		(2,582,809,164)	(6,310,875,631)
Cash flows from financing activities			
Proceeds from bank borrowings		68,790,264,101	70,540,184,031
Repayment of bank borrowings		(70,407,869,228)	(65,022,680,431)
Interest paid		(485,117,218)	(233,237,948)
Capital element of lease payments		(31,726,143)	(39,016,405)
Interest element of lease payments		(2,875,017)	(4,392,323)
Issue of bonds payable		5,548,825,036	-
Proceeds from issuance of notes payable		1,591,746,615	113,048,687
Repayment of notes payable		(847,993,433)	-
Net cash generated from financing activities		4,155,254,713	5,353,905,611
Net increase/(decrease) in cash and cash equivalents		810,464,527	(787,118,047)
Cash and cash equivalents at beginning of year		679,247,314	1,469,492,572
Effect of exchange rate changes		(12,322,288)	(3,127,211)
Cash and cash equivalents at 1 January		1,477,389,553	679,247,314
Analysis of balances of cash and cash equivalents			
Cash and bank balances	20	1,477,389,553	679,247,314

The notes on pages 14 to 68 form part of these financial statements.

Notes to the consolidated financial statements

1 Corporation information

China Securities (International) Finance Holding Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") are investment holding, provision of corporate finance, securities brokerage, insurance brokerage and asset management services. The principal activities of its subsidiaries are set out in note 12 to the consolidated financial statements.

In the opinion of the directors, the immediate holding company and ultimate holding company of the Company as at 31 December 2023 is CSC Financial Co., Ltd. (the "Parent Company"), a company incorporated in the People's Republic of China with limited liability and is listed on the Shanghai Stock Exchange (Stock code: 601066) and the Hong Kong Stock Exchange (Stock code: 6066). The Parent Company issues consolidated financial statements available for public use.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 Material accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 Material accounting policies (continued)

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets/liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity instrument at fair value through profit or loss or at fair value through other comprehensive income (see note 2(j)), and

- derivatives (see note 2(j)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

(i) New and amended HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The adoption of the above-mentioned standards and amendments does not have a material impact on the comprehensive income, or financial position of the Group.

2 Material accounting policies (continued)

(ii) New HKICPA guidance on the accounting implications of the abolish of the MPF-LSP offsetting mechanism

In June 2022 the Hong Kong SAR Government (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will come into effect from 1 May 2025 (the “Transition Date”). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund (“MPF”) scheme to reduce the long service payment (“LSP”) in respect of an employee’s service from the Transition Date (the abolition of the “offsetting mechanism”). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance has no material impact in regard to the Group’s LSP liability.

(d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below.

2 Material accounting policies (continued)

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2 Material accounting policies (continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	2 - 8 years
Furniture and fixtures	3 years
Office equipment	3 - 5 years
Computer equipment	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(h) Intangible assets

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets, representing eligibility rights to trade on or through The Hong Kong Stock Exchange Limited (the “Stock Exchange”), with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2 Material accounting policies (continued)

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f)).

Refundable rental deposits is accounted for separately from the right-of use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see notes 2(j)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Material accounting policies (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Financial assets and liabilities

(a) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised 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) Amortised 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.

2 Material accounting policies (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 test"). 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 lending 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 FVPL.

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) Amortised 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 amortised 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 amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL 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 that is not held for trading at FVOCI.

2 Material accounting policies (continued)

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised 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.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel.

(b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised 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:

Amortised cost

The amortised 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 amortisation 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 amortised cost before any impairment allowance) or to the amortised 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 amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

2 Material accounting policies (continued)

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 recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) FVOCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost; and (ii) financial assets that are not FVOCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised 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 amortised cost which are recognised in profit or loss.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group’s right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in profit or loss.

2 Material accounting policies (continued)

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognised in current profit and loss by the Group.

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

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.

2 Material accounting policies (continued)

(e) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and FVOCI (other than FVOCI equities).

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 recognise 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 recognised in OCI and the impairment loss is recognised in profit or loss, and it should not reduce the carrying amount of the financial asset in the consolidated 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 recognised in profit or loss.

2 Material accounting policies (continued)

(f) Derecognition of financial instruments

A financial asset is derecognised, 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. A financial liability is derecognised when it is wholly or partly extinguished, that is when the obligation is wholly or partly discharged.

When equity instruments designated as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to retained earnings.

(g) 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

(h) Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The method of recognising the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in fair value of any derivative financial instruments are recognised immediately in the consolidated statement of profit or loss.

(k) Client trust bank balances

The Group has classified the clients' monies as cash held on behalf of customers under the current assets in the consolidated statement of financial position and recognised corresponding accounts payable to respective clients on ground that it is liable for any loss or misappropriation of clients' monies.

(l) Fiduciary activities

Apart from the client trust bank balances as mentioned above, the Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in these financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

2 Material accounting policies (continued)

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, which have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(n) Other long-term assets

Other long-term assets represent the deposits and admission fee paid to The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), Hong Kong Securities Clearing Company Limited and other regulators. They are intended to be held on a long-term basis and are stated at cost less impairment losses.

(o) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

(p) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

2 Material accounting policies (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(q) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

2 Material accounting policies (continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Brokerage commission income on dealing in securities and future contracts is recognised on a trade date basis when the relevant transaction is executed. The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trades are executed;

(ii) Fund management fee income is recognised over time when the services are rendered;

(iii) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(iv) Dividend income is recognised when the shareholders' or unitholders' right to receive payment has been established;

(v) Commission income from underwriting and placing of securities within the scope of HKFRS 15 generally consists of one performance obligation and recognised at a point in time when the underwriting and placing arrangements are completed; and

(vi) Sponsorship income within the scope of HKFRS 15 generally consists of one performance obligation and recognised over time as there is enforceable right to payment to the Group for performance of services completed up to date and by stage of completion to the agreements. Certain consultancy and financial advisory services' performance obligations are satisfied over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group.

(r) Accounts and other receivables

Accounts and other receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

2 Material accounting policies (continued)

The loss allowance of accounts receivables from margin clients and fee receivables are measured at 12-month expected credit losses (ECLs) unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as an when employee rendered the service. A liability is recognized for benefits accrued to employees (such as wages and salaries).

2 Material accounting policies (continued)

(i) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the group in an independently administered fund.

(ii) Bonuses

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Translation of foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions meet treatment of exchange and reserve.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2 Material accounting policies (continued)

(w) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Accounting judgements and estimates

(a) Critical accounting judgements and estimates in applying the Company's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements and sources of estimation uncertainty.

(i) Valuation of financial assets at fair value through profit or loss and fair value

The fair value of unlisted financial instruments are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. Changes in assumptions on the valuation techniques could affect the reported fair values of these financial assets. The valuation methodologies and the source of parameters adopted by the Group are discussed in note 27(f)(ii).

(ii) Recognition of sponsorship income

Revenue is measured at the fair value of the consideration received or receivable arising from the rendering of services in the ordinary course of the Group's principal activities. The management of the Group made critical judgements to determine if the sponsorship income should be recognised in the current period. For the year ended 31 December 2023, the Group has recognised sponsorship income of HK$22,866,494 (2022: HK$30,599,787) and the management of the Group has judged that these fees are recognized, based on milestones are achieved at the time revenue is recognized. The Group has no remaining obligation for these services and the collectability is reasonably assured.

(iii) Deferred taxes

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different. As at 31 December 2023, the deferred tax assets related to tax losses is HK$43,555,452 (2022: HK$60,627,163). Management has performed an assessment on the recoverability of these deferred tax assets and consider that the realisation of these tax losses probable, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No impairment provision is required as at year end.

3 Accounting judgements and estimates

(iv) Expected credit loss measurement

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, such as accounts receivable, intercompany receivable, bank deposits, and debt securities at FVOCI is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

determining criteria for significant increase in credit risk ("SICR");
choosing appropriate models and assumptions for the measurement of ECL; and
establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Other key sources of estimation uncertainty are as follows:

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with HKFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporate forward-looking information which is subject to significant judgement. Details of the forward looking information incorporated in the ECL model is disclosed in note 27.

4 Revenue

An analysis of revenue is as follows:

	2023 HK$	*2022* HK$
Revenue from contracts with customer within the scope of HKFRS 15:		
Fund management fee income	683,775	134,537
Brokerage commission income	66,879,350	55,525,330
Sponsorship, underwriting and placement commission income	178,256,622	213,779,650
Consultancy fee income	11,824,115	4,975,599
Income from other sources:		
Interest income from clients	19,154,800	15,966,810
	276,798,662	290,381,926

5 Other income

	2023 HK$	*2022* HK$
Bond interest income	648,949,726	455,540,950
Other interest income	36,818,200	13,662,935
Dividend income	36,074,833	40,380,218
Other services and handling income	24,032,894	19,345,547
Others	9,736,103	6,711,911
	755,611,756	535,641,561

6 Other gain/(loss), net

	2023 HK$	*2022* HK$
Realised fair value loss on investments at fair value through profit or loss, net	(209,567,970)	(12,636,041)
Unrealised gain/(loss) on investments at fair value through profit or loss, net	438,772,981	(159,835,915)
Gain/(loss) from disposal of investments at fair value through other comprehensive income	6,474,445	(9,511,514)
Foreign exchange difference	(13,368,272)	(25,901,218)
Loss on disposal of property, plant and equipment	(2,803)	-
	222,308,381	(207,884,688)

7 Profit/(loss) before taxation

	2023 HK$	*2022* HK$
Auditor's remuneration	862,505	730,740
Communication and information costs	39,532,271	32,034,035
Commission expenses	39,897,292	35,776,313
Depreciation of property, plant and equipment (note 11)	8,393,552	7,006,069
Depreciation of right-of-use asset (note 14)	30,241,207	38,677,273
Directors' benefits and interests (note 9)	11,643,208	19,865,022
Employee benefit expenses		
Salaries and other benefits	236,656,924	210,531,530
Pension scheme contributions	8,441,125	7,799,502
Professional fee and consultation fee	9,015,114	14,258,507
Transportation and entertainment	15,457,594	13,474,426
Others	29,891,827	29,825,426
	430,032,619	409,978,843

8 Finance costs

	2023 HK$	*2022* HK$
Interest on bank borrowings	329,880,173	134,871,025
Interest expense on bonds payable	201,463,248	125,047,015
Interest expense on notes payable	37,598,168	772,732
Interest on lease liabilities (note 15)	2,875,017	4,392,323
Interest expense with brokers and clients	35,856,089	10,906,594
	607,672,695	275,989,689

9 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023 HK$	*2022* HK$
Directors' fees	-	-
Salaries, allowances and benefits in kind	8,235,096	12,420,000
Discretionary bonuses	3,354,112	7,355,022
Retirement scheme contributions	54,000	90,000
	11,643,208	19,865,022

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, subsisted at the end of the year or at any time during the year.

10 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2023 HK$	*2022* HK$
Current tax - Hong Kong Profits Tax		
Provision for the year	(6,652,797)	(11,698,086)
(Under)/Over-provision in prior year	(13,788)	136,051
	(6,666,585)	(11,562,035)
Deferred tax		
Deferred tax credit/(expense) for the year (note 16)	2,316,349	(30,032,914)
	(4,350,236)	(41,594,949)

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

10 Income tax in the consolidated statement of profit or loss (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	2023 HK$	*2022* HK$
Profit/(loss) before tax	220,104,421	(75,500,348)
Tax at the applicable income tax rates	36,152,230	(12,457,557)
Tax effect of non-taxable income	(54,003,127)	(42,300,384)
Tax effect of non-deductible expenses	31,599,120	23,958,179
Tax effect of temporary difference not recognized	(2,462,125)	5,919,353
Tax effect of unused tax losses not recognized	19,172,752	67,901,823
Tax effect of prior year's tax losses utilised this year	(25,962,300)	(1,402,139)
Under/(over)-provision of tax expenses in prior year	13,788	(136,051)
Others	(160,102)	111,725
	4,350,236	41,594,949

11 Property, plant and equipment

	Leasehold improvement HK$	*Fixture and furnitures* HK$	*Office equipment* HK$	*Computer equipment* HK$	*Total* HK$
Cost:					
At 1 January 2022	25,446,972	2,506,334	3,253,861	39,726,874	70,934,041
Additions	-	-	-	7,088,840	7,088,840
At 31 December 2022 and 1 January 2023	25,446,972	2,506,334	3,253,861	46,815,714	78,022,881
Additions	-	-	-	7,286,301	7,286,301
Disposals	-	-	(205,482)	(837,444)	(1,042,926)
At 31 December 2023	25,446,972	2,506,334	3,048,379	53,264,571	84,266,256
Accumulated depreciation:					
At 1 January 2022	19,326,221	2,506,334	3,207,792	26,234,502	51,274,849
Depreciation for the year	1,701,204	-	5,304	5,299,561	7,006,069
At 31 December 2022 and 1 January 2023	21,027,425	2,506,334	3,213,096	31,534,063	58,280,918
Depreciation for the year	1,701,204	-	5,305	6,687,043	8,393,552
Disposals	-	-	(202,679)	(837,444)	(1,040,123)
At 31 December 2023	22,728,629	2,506,334	3,015,722	37,383,662	65,634,347
Net carrying amount					
At 31 December 2023	2,718,343	-	32,657	15,880,909	18,631,909
At 31 December 2022	4,419,547	-	40,765	15,281,651	19,741,963

12 Investments in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest		
Name of company	*Place of incorporation*	*Registered and paid up capital*	*Held by the Group (%)*	*Held by the Company (%)*	*Principal activity*
China Securities (International) Asset Management Company Limited	Hong Kong	HKD 240,000,000	100	-	Asset management
China Securities (International) Brokerage Company Limited	Hong Kong	HKD 1,630,000,000	100	-	Securities brokerage
China Securities (International) Corporate Finance Company Limited	Hong Kong	HKD 520,000,000	100	-	Corporate Finance
China Securities (International) Finance Company Limited	Hong Kong	HKD 30,000,000	100	-	Direct Investment
China Securities (International) Investment Company Limited	Hong Kong	HKD 1,600,010,000	100	-	Proprietary Investment
CSCI Insurance Broker Limited	Hong Kong	HKD 500,000	100	-	Insurance brokerage
China Securities (Hong Kong) Investment Management Company Limited	Hong Kong	HKD 10,000	-	100	Investment management
CSCI Bond Fund	Cayman Islands	Nil	-	100	Investment holding
CSCIF Asia Limited	British Virgin Islands	USD 100	-	100	Bond issuance

13 Intangible asset

	2023 HK$	*2022* HK$
Cost and net carrying amount at 31 December	1,000,000	1,000,000

Intangible asset comprised the eligibility rights to trade on or through the Hong Kong Stock Exchange. The trading right has no foreseeable limit to the period over which the Group can use to generate net cash flows.

14 Right-of-use assets

	HK$
Cost	
At 1 January 2022	268,218,209
Lease modification (note 15(ii))	(43,385,484)
At 31 December 2022, 1 January 2023 and 31 December 2023	224,832,725
Accumulated depreciation	
At 1 January 2022	108,032,334
Depreciation	38,677,273
At 31 December 2022 and 1 January 2023	146,709,607
Depreciation	30,241,207
At 31 December 2023	176,950,814
Net carrying amounts	
At 31 December 2023	47,881,911
At 31 December 2022	78,123,118

15 Lease liabilities

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 HK$	*2022* HK$
Within 1 year	33,104,380	31,726,144
After 1 year but within 2 years	19,971,069	33,104,380
After 2 years but within 5 years	-	19,971,069
	19,971,069	53,075,449
	53,075,449	84,801,593

(i) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2023 HK$	*2022* HK$
Depreciation charge of right-of-use assets		
Buildings	30,241,207	38,677,273
Interest expense (included in finance cost)	2,875,017	4,392,323

The total cash outflow for leases in 2023 was HK$34,601,160 (2022: HK$43,408,728).

(ii) For the year ended 31 December 2023, the consideration lease modification amounted to HK$Nil (2022: HK$43,385,484) was recorded in lease liabilities and right-of-use assets.

16 Income tax in the consolidated statement of financial position

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowance HK$	*Tax loss/ (recover)* HK$	*Change in fair value of financial assets at fair value through profit or loss and through other comprehensive income* HK$	*Allowance for credit impairment losses* HK$	*Lease liabilities* HK$	*Total* HK$
At 1 January 2022	(2,012,311)	(75,393,589)	-	(1,434,623)		(78,840,523)
Impact of changes in accounting policy	-	-	-	-	(27,588,575)	(27,588,575)
Adjusted balance as at 1 January 2022	(2,012,311)	(75,393,589)	-	(1,434,623)	(27,588,575)	(106,429,098)
Charged/(credited) to the consolidated income statement during the year (note 10(a))	168,734	14,766,426	2,572,884	(1,166,881)	13,596,313	29,937,476
Credited to the other comprehensive income during the year	-	-	(36,888,962)	-	-	(36,888,962)
At 31 December 2022 and 1 January 2023	(1,843,577)	(60,627,163)	(34,316,078)	(2,601,504)	(13,992,262)	(113,380,584)
Charged/(credited) to the consolidated income statement during the year	(54,111)	17,071,711	(2,847,587)	627,582	5,234,813	20,032,408
Charged to the other comprehensive income during the year (note 10(a))	-	-	23,364,986	-	-	23,364,986
At 31 December 2023	(1,897,688)	(43,555,452)	(13,798,679)	(1,973,922)	(8,757,449)	(69,983,190)

16 Income tax in the consolidated statement of financial position (continued)

	Depreciation allowance HK$	*Change in fair value of financial assets at fair value through profit or loss and through other comprehensive income* HK$	*Right-of-use assets* HK$	*Total* HK$
At 1 January 2022	1,805,509	3,837,883	-	5,643,392
Impact of changes in accounting policy	-	-	26,430,669	26,430,669
Adjusted balance as at 1 January 2022	1,805,509	3,837,883	26,430,669	32,074,061
Charged/(credited) to the consolidated income statement during the year (note 10(a))	49,032	13,586,761	(13,540,355)	95,438
At 31 December 2022 and 1 January 2023	1,854,541	17,424,644	12,890,314	32,169,499
(Credited)/charged to the consolidated income statement during the year (note 10(a))	65,686	(17,424,644)	(4,989,799)	(22,348,757)
At 31 December 2023	1,920,227	-	7,900,515	9,820,742

(ii) Reconciliation to the consolidated statement of financial position

	2023 HK$	*2022* HK$
Net deferred tax assets in the consolidated statement of financial position	60,162,448	92,750,430
Net deferred tax liabilities in the consolidated statement of financial position	-	11,539,346
	60,162,448	81,211,084

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(p), the group has not recognised deferred tax assets in respect of cumulative tax losses of HK$398,116,952 (2022: HK$356,968,182) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

17 Accounts receivable

The carrying values of accounts receivable arising from the course of business of the Group are as follows:

	2023 HK$	*2022* HK$
Accounts receivable from:		
- securities dealing:		
- margin clients	297,243,430	436,933,700
- cash clients	296,306,867	181,395,061
- brokers	623,384,842	402,751,242
- clearing houses	455,078,083	66,756,964
- asset management services	467,641	-
- professional, advisory and underwriting services	33,604,436	22,852,282
- other accounts receivable	-	19,375,814
	1,706,085,299	1,130,065,063
Less: impairment provision	(146,231,058)	(150,034,587)
	1,559,854,241	980,030,476

The movements in the impairment allowance on accounts receivable are as follows:

	2023 HK$	*2022* HK$
At 1 January	150,034,587	143,687,231
(Reversal of)/provision for impairment allowance	(3,802,674)	6,527,995
Exchange realignment	(855)	(180,639)
At 31 December	146,231,058	150,034,587

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. The details of the credit management policy is disclosed in note 27(c) to the consolidated financial statements.

17 Accounts receivable (continued)

The gross carrying amount of ECLs for accounts receivable is recognized as follows according to the stage of ECLs:

31 December 2023

	Accounts receivable from margin clients HK$	*Accounts receivable from cash clients* HK$	*Accounts receivable from brokers* HK$	*Accounts receivable from clearing house* HK$	*Accounts receivable from asset management services* HK$	*Accounts receivable from professional advisory and underwriting services* HK$	*Other accounts receivable* HK$	*Total* HK$
Gross carrying amount	297,243,430	296,306,867	623,384,842	455,078,083	467,641	33,604,436	-	1,706,085,299
Less: impairment								
- Stage 1	(2,373,443)	-	-	-	-	(1,142,516)	-	(3,515,959)
- Stage 2	-	-	-	-	-	-	-	-
-Stage 3	(134,326,189)	-	-	-	-	(8,388,910)	-	(142,715,099)
- Simplified approach	-	-	-	-	-	-	-	-
	160,543,798	296,306,867	623,384,842	455,078,083	467,641	24,073,010	-	1,559,854,241

31 December 2022

	Accounts receivable from margin clients HK$	*Accounts receivable from cash clients* HK$	*Accounts receivable from brokers* HK$	*Accounts receivable from clearing house* HK$	*Accounts receivable from asset management services* HK$	*Accounts receivable from professional advisory and underwriting services* HK$	*Other accounts receivable* HK$	*Total* HK$
Gross carrying amount	436,933,700	181,395,061	402,751,242	66,756,964	-	22,852,282	19,375,814	1,130,065,063
Less: impairment								
- Stage 1	(6,956,851)	-	-	-	-	(425,894)	-	(7,382,745)
- Stage 2	-	-	-	-	-	-	-	-
-Stage 3	(134,262,932)	-	-	-	-	(8,388,910)	-	(142,651,842)
- Simplified approach	-	-	-	-	-	-	-	-
	295,713,917	181,395,061	402,751,242	66,756,964	-	14,037,478	19,375,814	980,030,476

As at 31 December 2023, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$672,352,172 (2022: HK$814,260,051) based on the market value of the securities as at the end of the reporting period.

18 Financial assets/(liabilities) at fair value through profit or loss

	2023 HK$	*2022* HK$
Financial assets at fair value through profit or loss:		
Listed equity securities	2,645,620,776	3,436,084,865
Listed debt securities	6,100,586,278	5,941,891,433
Derivative financial instruments (note)	506,053,950	367,087,447
Private equity	125,049,918	202,714,980
Fund investments	2,102,448,701	382,880,299
	11,479,759,623	10,330,659,024

	2023 HK$	2022 HK$
Financial liabilities at fair value through profit or loss:		
Listed debt securities	-	77,708,424
Derivative financial instruments (note)	116,527,992	215,660,808
Structured notes	215,818,874	82,030,741
	332,346,866	375,399,973

Note: The Group entered into total return swap contracts at HK$452,653,260 (2022: HK$289,518,118) with the immediate holding company, in which the immediate holding company is subject to fair value changes of the underlying securities in these contracts and the Company received fixed interest. The details of the related party transactions are disclosed in note 26 to the consolidated financial statements.

As at 31 December 2023, the notional amount of all the derivatives held by the Company was approximately HK$29,218,053,068 (2022: HK$6,984,510,902).

Changes in fair values of financial assets at fair value through profit or loss are recorded in other gain/(loss) in the consolidated statement of profit or loss.

As at 31 December 2023, quoted bonds of HK$5,721,172,329 (2022: HK$3,066,983,049) measured at fair value through profit or loss were pledged as security for a bank facility with bank borrowings of HK$4,556,443,292 (2022: HK$2,495,126,957).

19 Financial assets at fair value through other comprehensive income

	2023 HK$	*2022* HK$
Listed equity securities	72,375,580	101,101,970
Listed debt securities	9,557,680,530	6,914,501,216
	9,630,056,110	7,015,603,186

As at 31 December 2023, quoted bonds of HK$32,569,041 (2022: HK$3,547,989,524) measured at fair value through other comprehensive income were pledged as security for a bank facility with bank borrowings of HK$27,530,570 (2022: HK$2,845,717,830).

Movement of allowance for ECLs during the year are as follow:

	2023 HK$	*2022* HK$
At the beginning of year	4,116,371	2,973,751
Charge for the year	711,738	1,142,620
At the end of the year	4,828,109	4,116,371

20 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents comprise:

	2023 HK$	*2022* HK$
Cash and bank balances	1,477,389,553	679,247,314

Cash at banks are maintained at banks' current and saving accounts. The bank balances are deposited with creditworthy bank with no recent history of default.

The Group receives and holds money deposited by clients and other institutions in the course of conducting the regulated activities. These clients' monies are maintained in one or more trust bank accounts. The Group recognises the corresponding accounts payable to the respective clients and other institutions. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2023, client money maintained in segregated accounts amounted to HK$975,437,414(2022: HK$1,323,128,828).

20 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	Bank borrowing and interest payables HK$ (Note 22)	*Notes and interest payables* HK$ (Note 23)	*Bonds and interest payables* HK$ (Note 24)	*Lease liabilities* HK$ (Note 15)	*Total* HK$
At 1 January 2022	1,207,648,781	-	7,792,786,585	167,203,482	9,167,638,848
Changes from financing cash flows:					
Proceeds from bank borrowings	70,540,184,031	-	-	-	70,540,184,031
Repayment of bank borrowings	(65,022,680,431)	-	-	-	(65,022,680,431)
Proceeds from issuance of notes payable	-	113,048,687	-	-	113,048,687
Capital element of lease payments	-	-	-	(39,016,405)	(39,016,405)
Interest element of lease payments	-	-	-	(4,392,323)	(4,392,323)
Interest paid	(108,185,836)	-	(125,052,112)	-	(233,237,948)
Total changes from financing cash flows	5,409,317,764	113,048,687	(125,052,112)	(43,408,728)	5,353,905,611
Exchange adjustments	2,290,524	-	11,094,908	-	13,385,432
Other changes:					
Lease modification during the period	-	-	-	(43,385,484)	(43,385,484)
Interest expenses (note 8)	134,871,025	772,732	125,047,015	4,392,323	265,083,095
Total other changes	134,871,025	772,732	125,047,015	(38,993,161)	221,697,611
At 31 December 2022 and 1 January 2023	6,754,128,094	113,821,419	7,803,876,396	84,801,593	14,756,627,502
Changes from financing cash flows:					
Proceeds from bank borrowings	68,790,264,101	-	-	-	68,790,264,101
Repayment of bank borrowings	(70,407,869,228)	-	-	-	(70,407,869,228)
Proceeds from issuance of notes payable	-	1,591,746,615	-	-	1,591,746,615
Repayment of notes payables	-	(847,993,433)	-	-	(847,993,433)
Issue of bonds payables		-	5,548,825,036	-	5,548,825,036
Capital element of lease payments	-	-	-	(31,726,143)	(31,726,143)
Interest element of lease payments	-	-	-	(2,875,017)	(2,875,017)
Interest paid	(286,678,509)	(18,416,700)	(180,022,009)	-	(485,117,218)
Total changes from financing cash flows	(1,904,283,636)	725,336,482	5,368,803,027	(34,601,160)	4,155,254,713
Exchange adjustments	(4,480,586)	(1,042,420)	(7,113,740)	-	(12,636,746)
Other changes:					
Interest expenses (note 8)	329,880,173	37,598,168	201,463,248	2,875,017	571,816,606
Total other changes	329,880,173	37,598,168	201,463,248	2,875,017	571,816,606
At 31 December 2023	5,175,244,045	875,713,649	13,367,028,931	53,075,450	19,471,062,075

21 Accounts payable

	2023 HK$	*2022* HK$
Accounts payable to:		
- securities clients		
- cash clients	1,275,621,375	1,116,333,108
- margin clients	154,805,641	163,402,982
- future clients	27,621,888	25,283,898
- broker	249,950,764	937,923,311
- clearing houses	-	43,268,301
- investment client	420,671,874	136,558,996
- asset management client	125,988	-
Other accounts payable	210,616	213,670
	2,129,008,146	2,422,984,266

Accounts payable to clients arising from the ordinary course of the Group’s securities brokerage and asset management business are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

The carrying amounts of the Group's accounts payable approximate to their fair values.

22 Bank borrowings

	2023 HK$	*2022* HK$
Current:		
Secured bank borrowings	4,583,973,862	5,340,844,787
Unsecured bank borrowings	521,383,329	1,386,598,117
	5,105,357,191	6,727,442,904

	2023 HK$	*2022* HK$
Denominated in		
Hong Kong Dollars (“HK$”)	400,000,000	950,000,000
United States Dollars (“US$”)	4,583,973,862	5,340,844,787
Renminbi (“RMB”)	121,383,329	436,598,117
	5,105,357,191	6,727,442,904

As at 31 December 2023, As at 31 December 2023, the Group had entered into repurchase arrangements with banks. Repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them in the future. These are secured bank borrowings in substance. As at 31 December 2023, listed debt investments amounting to HK$5,743,741,370 (2022: HK$6,614,972,573) are delivered as collateral under the repurchase agreements. No client’s securities were pledged for bank borrowing.

22 Bank borrowings (continued)

The Group's bank borrowings bear effective interest ranging from 3.20% to 6.37% (2022: 3.20% to 6.40%) per annum. The bank borrowings have a loan tenor of up to one year. As at 31 December 2023, the banking facilities of HK$5,311,755,000 (2022: HK$2,942,993,133) were not utilised.

23 Notes payable

	2023 HK$	*2022* HK$
Notes payable	855,759,449	113,048,687

The notes payable bear effective interest ranging from 2.70% to 6.30% per annum (2022: 1.55% to 5.05% per annum). The financial instruments are repayable upon maturity within one year.

24 Bonds payable

On 4 August 2020, USD500,000,000 1.75% bonds were issued at a discounted value of USD499,690,000 (equivalent to HKD3,858,210,101). The bonds will mature in August 2025 at their nominal value of USD500,000,000 (equivalent to HKD3,876,315,000).

On 10 June 2021, USD500,000,000 1.125% bonds were issued at a discounted value of USD498,105,000 (equivalent to HKD3,884,247,695). The bonds will mature in June 2024 at their nominal value of USD500,000,000 (equivalent to HKD3,899,025,000).

On 27 April 2023, RMB 1,500,000,000 3.15% bonds were issued at a nominal value (equivalent to HKD1,655,227,208). The bonds will mature in April 2025 at their nominal value.

On 27 April 2023, RMB 1,500,000,000 3.25% bonds were issued at a nominal value (equivalent to HKD1,655,227,208). The bonds will mature in April 2026 at their nominal value.

On 19 December 2023, RMB 2,000,000,000 3.45% bonds were issued at a nominal value (equivalent to HKD2,206,969,611). The bonds will mature in December 2026 at their nominal value.

25 Share capital

Ordinary shares, issued and fully paid:

	Number of shares	*Share capital* HK$
At 31 December 2022, 1 January 2023 and 31 December 2023	400,000,000	4,000,000,000

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26 Material related party transactions

(a) Key management compensation

The emoluments paid to the directors of the Company, who are the key management personnel of the Company, are included in note 9 to the consolidated financial statements.

(b) Transactions with other related parties

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with the related parties:

	Note	*2023* HK$	*2022* HK$
Net realised (losses)/gains from trading of derivative financial instruments with the immediate holding company	(i)	(75,217,316)	639,111,574
Net unrealised gains from trading of derivative financial instruments with the immediate holding company	(i)	348,561,518	63,914,048
Proceeds received from disposal of private equity	(ii)	101,667,022	-
Amount due from immediate holding company	(iii)	707,385,579	786,603,443
Amount due from a fellow subsidiary	(iii)	72,849,623	73,945,168
Interest income from related parties	(iv)	12,407,970	2,654,687
Interest expenses from related parties	(iv)	1,528,140	992,902
Bank trust account balances from a related party	(iv)	283,111,224	402,398,902
Cash and cash equivalents from related parties	(iv)	562,835,791	38,383,956
Accounts payables from related parties	(iv)	80,031,949	27,425,262
Bank borrowing from a related party	(iv)	200,000,000	100,000,000

26 Material related party transactions (continued)

(i) The Group incurred gain/losses from trading of total return swaps with the immediate holding company. Refer to note 18 for details on derivative financial instruments.

(ii) The Group partially disposed of a private equity investment to an investment fund substantially held by a fellow subsidiary of the Group at its fair value.

(iii) The balances with immediate holding company and fellow subsidiary are unsecured, interest-free and repayable on demand. The carrying amount of the balances with the immediate holding company and fellow subsidiary approximated to its fair value.

(iv) Transactions with the Parent Company's shareholders and its related parties are conducted in the ordinary course of business under normal commercial terms and conditions.

27 Financial risk management

Since March 2020, the Parent Company has been officially included in the consolidated supervision pilot by China Securities Regulatory Commission ("CSRC"), and continued to strengthen the vertical control and group integrated management of domestic and overseas subsidiaries. In 2021, the Parent Company realised the integrated management of risk control and compliance of all subsidiaries at home and abroad, and further optimised certain aspects such as counterparty management, risk control of new business and new products, risk data management and system construction.

The Group adheres to the strategic policy and business philosophy of the Parent Company to put risk management in an important position and "risk management as priority, risk management by all". The Group ensures that the risks are measurable, controllable and bearable, and obtains reasonable risk returns. The Group 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 the Group can ensure the enhancement and effective operation of a comprehensive risk management mechanism during the reporting period.

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, bank trust account balances, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, accounts receivable, deposits and other receivables, bonds and notes payable, accounts payable, bank borrowings, other payables and accruals.

The main financial risk arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The policies for managing each of these risks are summarised below.

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's accounts receivable, accounts payable, notes payable, bank borrowings, bank trust account balances and cash and cash equivalents.

27 Financial risk management (continued)

Interest on cash at banks will fluctuate at floating rates based on daily bank deposit rates. Bank borrowings, notes payable and accounts receivable from margin clients at variable rates exposed the Group to cash flow interest rate risk. Other financial assets and liabilities are non-interest-bearing or fixed interest-bearing with short term maturities within one year, of which the interest rate risk is also considered to be minimal. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of bank borrowings, accounts receivable from margin clients and interest-bearing bank deposits.

Debt investments usually bear a fixed rate interest and they are managed through the strategy of trading them within a short period of time. Debt investments held for trading are expected to be traded within a short period of time, and therefore their fair value interest rate risk and cash flow interest rate risk are considered to be minimal.

As observable prices are available for the total return swap contracts, no sensitivity analysis has been presented solely for interest rate risk.

For those financial assets at variable interest rates, if there is a general increase/decrease in the interest rate by 3%, with all other variables held constant, the profit after tax for the year ended 31 December 2023 would have decreased/increased by approximately HK$92,738,129 (2022: profit after tax would have increased/decreased by HK$107,582,899 when interest rate increase/decrease by 3%).

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in currency exchanges rates. The Group’s financial assets and financial liabilities denominated in foreign currency mainly comprise United States dollars (“US$”) and Renminbi (“RMB”). The HK$/US$ exchange rate has remained relatively stable during the year presented because HK$ is pegged to the US$.

As at 31 December 2023, the net RMB exposure amounted to HK$86,232,240 (2022: HK$901,666,328).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rate, with all other variables held constant and after any impact on tax, of the Group’s profit after tax.

	2023		*2022*	
	Increase/ (decrease) in foreign exchange rates	*Effect on profit after tax and retained profits* HK$	*Increase/ (decrease) in foreign exchange rates*	*Effect on profit after tax and retained profits* HK$
RMB	10%	(7,200,392)	10%	(75,289,138)
	(10)%	7,200,392	(10)%	75,289,138

27 Financial risk management (continued)

(c) Credit risk

Credit exposures arise principally from accounts receivable from clients, brokers and dealers and corporate clients, debt investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, bank balances and bank trust account balances which are included in the Group's asset portfolio.

The Board of Directors delegates to the Credit Committee the duties to manage and monitor the overall credit risk of the Group. The Credit Committee comprises Chief Executive Officer, Chief Operation Officer, the Head of Finance Department, Responsible Officers, the Head of Legal and Compliance Department and the Head of Risk Management Department. This committee is responsible for the development of financing business and approval of major credit exposure. When the limit reaches to the certain threshold, it is required to obtain the approval of the Parent Company's Risk Management Department and/or the Risk Management Committee.

The Risk Management Department is responsible for making settlement calls for margin loans on a daily basis when the trades of margin clients exceed their respective limits. The Risk Management Department determines whether a forced liquidation action is to be taken against clients with overdue balances on a case-by-case basis.

Other receivables from clients arising from dealing in securities and normally have delivery-against payment ("DVP") settlement terms of 1 to 3 days. The Group allows credit up to the settlement dates of the respective securities transactions (normally within T+1, T+2 or T+3 days). All applications for DVP limits must be reviewed and approved by the Risk Management Department. When the limit reaches to the certain threshold, it is required to obtain the approval of Head of Finance Department, Chief Executive Officer and/or the Parent Company's Risk Management Department.

For debt investments, the Risk Management Department uses external rating such as Standard & Poor's and Moody's ratings or their equivalents to manage credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

Majority of debt investments at fair value through profit or loss and fair value through other comprehensive income are listed in recognised stock exchanges. Management maintains a risk policy and the exposure to these credit risks is monitored on an on-going basis.

27 Financial risk management (continued)

Credit rating analysis of debt investments at fair value through profit or loss	*2023* *HK$*	*2022* *HK$*
Rating		
- From AAA to A-	659,932,332	683,059,704
- From BBB+ to BBB-	4,036,057,520	2,830,448,899
- BB+ or below	901,477,832	550,173,243
Sub total	5,597,467,684	4,063,681,846
Non-rated	503,118,594	1,878,209,587
Total	6,100,586,278	5,941,891,433

Credit rating analysis of debt investments at fair value through other comprehensive income	*2023* *HK$*	*2022* *HK$*
Rating		
- From AAA to A-	2,011,362,915	460,129,303
- From BBB+ to BBB-	3,864,662,070	4,062,271,489
- BB+ or below	389,350,546	1,113,709,005
Sub total	6,265,375,531	5,636,109,797
Non-rated	3,292,304,999	1,278,391,419
Total	9,557,680,530	6,914,501,216

The Group's bank balances are deposited with respectable and large commercial banks. For the bank trust account balances which are held in segregated accounts, they are deposited with authorized institutions in Hong Kong regulated by the Hong Kong Monetary Authority ("HKMA"). The credit risk of bank balances and bank trust account balances are considered to be manageable.

Accounts receivable from clearing houses, brokers and dealers are placed with large financial institutions regulated by HKMA and/or the Hong Kong Securities and Futures Commission (the "SFC") which are subject to liquid capital requirements. The credit risk of accounts receivable from brokers and dealers is considered to be manageable.

Securities dealing services

The Group allows a credit period up to the settlement dates of the respective securities transactions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances, if any, are reviewed regularly by management, and bear interest with reference to the Hong Kong dollar prime rate.

27 Financial risk management (continued)

Corporate finance services

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risks. Overdue balances, if any, are reviewed regularly by management.

Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period, in relation to each class of financial assets, is the carrying amount of those assets as reflected in the consolidated statement of financial position.

These amounts represent the worst case scenario of credit risk exposure to the Group at 31 December 2023 and 2022, without taking account of any collateral held or other credit enhancements.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 17 to the consolidated financial statements.

Expected credit loss ("ECL") measurement

The measurement of the ECL for debt instrument measured at FVOCI and financial assets measured at amortised cost 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).

The Group has applied a 'three-stage' impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

– A financial instrument that is not credit-impaired on initial recognition is classified in "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".

The Group's ECL allowance is recognised according to the stage of ECL as below.

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 a financial instrument at an amount equal to the lifetime ECL.

27 Financial risk management (continued)

For financial assets classified under Stages 1 and 2, management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default, loss given default and exposure at default. For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to HKFRS 9, involves judgements, assumptions and estimations in relation to:

– Selection of the appropriate models and assumptions;

– Determination of the criteria for SICR;

– Establishment of the number and relative weightings of forward-looking scenarios for each type of product.

Measuring ECL – inputs, assumptions and estimation techniques

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.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) taking into account forward-looking information.

– 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.

– LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realisable 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 publicly available information from credit rating agencies, and type of securities. For structured loan financing, LGD is determined based on the collateral type.

– 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).

27 Financial risk management (continued)

The criteria of Significant Increase in Credit Risk (SICR)

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.

The Group considered margin financing to have experienced a SICR if margin calls were made and the margin loan to margin value was larger than 120% or the margin loan to market value was larger than 85%. As at 31 December 2023, 21(2022: 23) of the margin loans was classified under stage 3.

For debt securities investments, the Group considered the debt securities investments to have experienced a SICR if the credit rating of the debt securities investments with credit rating equal to or above BBB- experienced a downgrading of 3 notches or more, compared with ratings as at origination or if the credit rating of the debt securities investments with credit rating below BBB- experienced a downgrading of 2 notches or more, compared with ratings as at origination. As at 31 December 2023, there was no downgrading of credit ratings of the debt securities investments.

A backstop is applied and the financial instrument considered to have experienced a SICR if the borrower or the debtor is more than 30 days past due on its contractual payments.

Definition of credit-impaired assets

The Group considers a financial instrument whether to be credit-impaired according to HKFRS 9, consistent with the internal credit risk management of financial instruments. The consideration includes quantitative criteria and qualitative criteria. The Group defines a financial instrument as credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin financing, force liquidation of a client's position triggered based on the pre-determined threshold of loan to collateral ratios; and collateral valuation falling short of the related loan amounts;
- The external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It becomes probable that the debtor will enter bankruptcy or other financial restructure.

A financial asset may be credit-impaired due to a combination of factors or events which may not be separately identifiable.

27 Financial risk management (continued)

Forward-looking information

The calculation of ECL incorporated forward-looking information. The Group considers historical data and key economic variables impacting credit risk and ECL for each financial instrument portfolio. The impact of these economic variables on the PD, EAD and LGD has been determined by performing historical statistical regression analysis to forecast the expected changes in these variables on the default probability and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Expert team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

At 31 December 2023, the Group adopted 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 into account of the range of possible outcomes, represented by each chosen scenario. The probability-weights assigned to the base scenario employed by the Group was higher than the sum of the optimistic scenario and pessimistic scenario.

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.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments would have an impact on the assessment for SICR and the measurement of ECLs.

At 31 December 2023 and 2022, the impact on the optimistic ECL, pessimistic ECL against the base ECL, and the probability-weighted ECL derived from using the three aforesaid ECL scenarios compared to the base ECL scenario, is less than 5%.

27 Financial risk management (continued)

The credit loss allowance for accounts receivable and financial assets at fair value through other comprehensive income is as follow.

ECL	*2023* HK$	*2022* HK$
Accounts receivable (note 17)		
Stage 1	3,515,959	7,382,745
Stage 3	142,715,099	142,651,842
	146,231,058	150,034,587
Financial assets at fair value through other comprehensive income		
Stage 1	4,828,109	4,116,371

The Group's credit risk exposure of accounts receivable for which an ECL allowance is recognized as follows according to the stage of ECL:

	Stage 1 HK$	*Stage 3* HK$	*Total* HK$
Balance as at 1 January 2022	5,569,038	138,118,193	143,687,231
Provision for impairment allowance	6,527,995	-	6,527,995
Transfer to stage 3	(4,533,649)	4,533,649	-
Exchange realignment	(180,639)	-	(180,639)
Balance as at 1 January 2023	7,382,745	142,651,842	150,034,587
(Reversal of)/provision for impairment allowance	(3,865,931)	63,257	(3,802,674)
Exchange realignment	(855)	-	(855)
Balance as at 31 December 2023	3,515,959	142,715,099	146,231,058

Management considered that the ECL on other financial assets carried at amortised cost is not material as at 31 December 2023 and 31 December 2022.

27 Financial risk management (continued)

(d) *Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

The Group is exposed to price risk changes arising from equity shares, funds, bonds and derivatives classified as financial assets at fair value through other comprehensive income and financial assets/liabilities at fair value through profit or loss.

The following table demonstrates the sensitivity to every 5% change in the fair values of financial assets at fair value through other comprehensive income and financial assets/liabilities at fair value through profit or loss as at 31 December 2023 and 2022, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period.

	2023			2022		
	Change in fair value	*Effect on profit after tax and retained profits*	*Effect on other components of equity*	*Change in fair value*	*Effect on profit after tax and retained profits*	*Effect on other components of equity*
Investment in:						
Financial assets at fair value through profit or loss	5%	$350,198,800	$ -	5%	$260,363,500	$ -
	(5%)	(350,198,800)	-	(5%)	(260,363,500)	-
Financial assets at fair value through other comprehensive income	5%	$ -	$402,054,800	5%	$ -	$292,901,400
	(5%)	-	(402,054,800)	(5%)	-	(292,901,400)
Financial liabilities at fair value through profit or loss	5%	$ (13,875,500)	$ -	5%	$ (15,672,900)	$ -
	(5%)	13,875,500	-	(5%)	15,672,900	-

(e) *Liquidity risk*

Internally generated cash flows, capital from the immediate holding company, bonds payable and bank borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group's regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licensed activities. The Group's aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

27 Financial risk management (continued)

The following tables show the remaining contractual maturities of the Group's financial liabilities at the reporting date, which are based on the contractual undiscounted cash flows and the earliest date the Group can be required to pay:

31 December 2023

	Contractual undiscounted cash outflow				
	On demand HK$	*Less than 3 month* HK$	*3 to less than 12 month* HK$	*1 to 5 years* HK$	*Total* HK$
Accounts payable	2,129,008,146	-	-	-	2,129,008,146
Other payables and accruals	183,767,271	123,021,375	-	-	306,788,646
Financial liabilities at fair value through profit or loss	332,346,866	-	-	-	332,346,866
Lease liabilities	-	8,650,290	25,950,870	20,184,010	54,785,170
Notes payable	-	232,752,161	642,961,488	-	875,713,649
Bonds payable	-	34,193,337	4,146,059,762	9,752,663,758	13,932,916,857
Bank borrowings	3,727,703,622	1,448,785,130	-	-	5,176,488,752
	6,372,825,905	1,847,402,293	4,814,972,120	9,772,847,768	22,808,048,086

31 December 2022

	Contractual undiscounted cash outflow				
	On demand HK$	*Less than 3 month* HK$	*3 to less than 12 month* HK$	*1 to 5 years* HK$	*Total* HK$
Accounts payable	2,422,984,266	-	-	-	2,422,984,266
Other payables and accruals	122,418,391	105,517,562	-	-	227,935,953
Financial liabilities at fair value through profit or loss	77,718,754	215,660,808	82,030,739	-	375,410,301
Lease liabilities	-	8,650,290	25,950,870	54,785,170	89,386,330
Notes payable	-	-	116,169,464	-	116,169,464
Bonds payable	-	34,110,694	77,967,300	7,955,101,078	8,067,179,072
Bank borrowings	-	6,754,128,094	-	-	6,754,128,094
	2,623,121,411	7,118,067,448	302,118,373	8,009,886,248	18,053,193,480

(f) Fair value measurement

(i) Fair value hierarchy analysis

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

27 Financial risk management (continued)

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2023

	Fair value measurement using *Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Financial assets at fair value through other comprehensive income	72,375,580	9,557,680,530	-	9,630,056,110
Financial assets at fair value through profit or loss	2,645,620,776	8,709,088,929	125,049,918	11,479,759,623
	2,717,996,356	18,266,769,459	125,049,918	21,109,815,733
Financial liabilities at fair value through profit or loss	-	332,346,866	-	332,346,866

As at 31 December 2022

	Fair value measurement using *Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Financial assets at fair value through other comprehensive income	101,101,970	6,914,501,216	-	7,015,603,186
Financial assets at fair value through profit or loss	3,259,574,491	6,868,369,553	202,714,980	10,330,659,024
	3,360,676,461	13,782,870,769	202,714,980	17,346,262,210
Financial liabilities at fair value through profit or loss	-	350,319,987	25,079,986	375,399,973

The following table presents the movement in Level 3 investments held by the Group for the years ended 31 December 2023 and 2022:

	2023 HK$	*2022* HK$
Balance at the beginning of the year	202,714,980	316,400,678
Fair value gains recognized in profit or loss	-	62,824,676
Transfer to level 2 investment	-	(176,510,374)
Purchase of investment	23,472,780	-
Disposal of investment	(101,667,022)	-
Exchange adjustment	529,180	-
Balance at the end of the year	125,049,918	202,714,980

27 Financial risk management (continued)

(ii) Significant unobservable inputs used in measuring fair value

The following table presents information about valuation methodologies and significant unobservable inputs used for the financial assets at fair value through profit of loss that are measured at fair value and categorized within Level 3 as at 31 December 2023:

Investment	*Fair value (HK$)*	*Valuation techniques*	*Significant unobservable inputs*	*Range*	*Impact to valuation from an increase in input*
Private equity	101,603,059	Market approach - LTM EV/Sales multiple	EV/Sales multiples, discount rate for lack of marketability, volatility	N/A	The higher the EV/Sales multiples, the higher the fair value. The higher the discount rate, the lower the fair value. The higher the volatility, the higher the fair value.
Private equity	23,446,859	Recent transactions	N/A	N/A	N/A

The Company's maximum exposure to loss from its interests in private equity is equal to the total fair value of its investment in the private equity.

28 Offsetting financial assets and financial liabilities

The Group currently has a legally enforceable right to set off the receivable and payable with counterparties and it intends to settle on a net basis as accounts receivable from or accounts payable to the counterparties. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amount of recognised financial assets/ (liabilities) HK$	*Gross amount of recognised financial (assets)/ liabilities offset in the consolidated financial statements* HK$	*Net amount of financial assets/ (liabilities) reflected in the consolidated financial statements* HK$	*Related amount not set off in the consolidated statement of financial position* HK$	*Net* HK$
As at 31 December 2023					
Financial Assets					
Margin client receivable	297,243,430	-	297,243,430	(297,243,430)	-
Amount receivable due from clearing house	594,623,866	(139,545,783)	455,078,083	-	455,078,083
Bonds pledged under repurchase agreements	5,753,741,370	-	5,753,741,370	(4,583,973,862)	1,169,767,508
Financial Liabilities					
Amount receivable due to clearing house	(139,545,783)	139,545,783	-	-	-
Bank borrowings	(4,583,973,862)	-	(4,583,973,862)	4,583,973,862	-

28 Offsetting financial assets and financial liabilities (continued)

	Gross amount of recognised financial assets/ (liabilities) HK$	*Gross amount of recognised financial (assets)/ liabilities offset in the consolidated financial statements* HK$	*Net amount of financial assets/ (liabilities) reflected in the consolidated financial statements* HK$	*Related amount not set off in the consolidated statement of financial position* HK$	*Net* HK$
As at 31 December 2022					
Financial Assets					
Margin client receivable	436,933,700	-	436,933,700	(436,933,700)	-
Amount receivable due from clearing house	151,902,426	(85,145,462)	66,756,964	-	66,756,964
Bonds pledged under repurchase agreements	6,614,972,573	-	6,614,972,573	(5,340,844,787)	1,274,127,786
Financial Liabilities					
Amount receivable due to clearing house	(128,413,763)	85,145,462	(43,268,301)	-	(43,268,301)
Bank borrowings	(5,340,844,787)	-	(5,340,844,787)	5,340,844,787	-

The tables below reconcile the "net amount of financial assets/(liabilities) presented in the statement of financial position", as set out above, to the amounts presented in the statement of financial position.

	2023 HK$	*2022* HK$
Net amount of accounts receivable arising from brokerage after offsetting as stated above		
- margin clients	297,243,430	436,933,700
- clearing houses	455,078,083	66,756,964
Accounts receivable other than clearing houses	953,763,786	626,374,399
Less: Impairment	(146,231,058)	(150,034,587)
Accounts receivables in the statement of financial position	1,559,854,241	980,030,476
Net amount of accounts payable arising from brokerage after offsetting as stated above		
- clearing houses	-	43,268,301
Accounts payables other than clearing houses	2,129,008,146	2,379,715,955
Accounts payables in the statement of financial position	2,129,008,146	2,422,984,256

The "net amounts of financial assets/(liabilities) reflected in the financial statements", as set out above, is included in "accounts receivable and accounts payable clearing houses" in notes 17 and 21 to the financial statements, respectively.

29 Statement of financial position and reserve movement of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

(a) Statement of financial position of the Company

	2023 HK$	*2022* HK$
NON-CURRENT ASSETS		
Investment in subsidiaries	4,020,510,776	2,720,510,776
Property, plant and equipment	11,632,346	13,889,015
Right-of-use assets	47,881,911	78,123,118
Deferred tax assets	1,980,013	1,971,370
Prepayments, deposits and other receivables	13,341,569	12,232,805
Total non-current assets	4,095,346,615	2,826,727,084
CURRENT ASSETS		
Subordinated loan to a subsidiary	300,000,000	300,000,000
Amounts due from subsidiaries	11,291,657,714	9,584,703,459
Amount due from a fellow subsidiary	72,849,623	73,945,168
Prepayments, deposits and other receivables	837,481	15,000
Financial asset at fair value through profit or loss	2,102,448,701	715,135,491
Cash and cash equivalents	665,039,639	20,215,137
Total current assets	14,432,833,158	10,694,014,255
CURRENT LIABILITIES		
Amounts due to subsidiaries	13,859,997,105	8,234,572,640
Other payables and accruals	140,986,404	128,712,007
Lease liabilities	33,104,380	31,726,144
Bank borrowings	521,383,329	1,286,598,117
Financial liabilities at fair value through profit or loss	83,740,016	12,036,599
Total current liabilities	14,639,211,234	9,693,645,507
NET CURRENT (LIABILITIES)/ASSETS	(206,378,076)	1,000,368,748
NON-CURRENT LIABILITIES		
Deferred tax liabilities	-	-
Lease liabilities	19,971,069	53,075,449
Total non-current liabilities	19,971,069	53,075,449
NET ASSETS	3,868,997,470	3,774,020,383

29 Statement of financial position and reserve movement of the Company (continued)

	2023 HK$	*2022* HK$
EQUITY		
Equity attributable to the owner of the Company		
Share capital	4,000,000,000	4,000,000,000
Accumulated losses	(131,002,530)	(225,979,617)
TOTAL EQUITY	3,868,997,470	3,774,020,383

Approved and authorised for issue by the board of directors on 17 APR 2024

Jiang Yueqin
Director

Xu Tao
Director

(b) Statement of changes in equity

	Share capital HK$	*Accumulated losses* HK$	*Total* HK$
Balance at 1 January 2022	4,000,000,000	3,873,573	4,003,873,573
Impact of changes in accounting policy	-	1,157,905	1,157,905
Adjusted balance at 1 January 2022	4,000,000,000	5,031,478	4,005,031,478
Loss for the year	-	(231,011,095)	(231,011,095)
Balance at 31 December 2022 and 1 January 2023	4,000,000,000	(225,979,617)	3,774,020,383
Profit for the year	-	94,977,087	94,977,087
Balance at 31 December 2023	4,000,000,000	(131,002,530)	3,868,997,470

30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

31 Comparative figures

As detailed in Note 2(c), the Group has adopted certain accounting policy changes and therefore made retrospective adjustments (including adjustments to comparable period financial information) as required.

32 Approval of financial statements

The consolidated financial statements were approved and authorized for issue by the board of directors on 17 April 2024 .

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

REPORT OF THE DIRECTORS AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

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CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements of China Securities (International) Finance Holding Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

Principal activities
The principal activities of the Company and its subsidiaries are investment holding, provision of corporate finance, securities brokerage and asset management services. The activities of the subsidiaries are set out in note 11 to the consolidated financial statements.

Results and appropriations
The results of the Group are set out in the consolidated income statement on page 7. The directors do not recommend the payment of a final dividend.

Donations
Charitable and other donations made by the Group during the year amounted to HK$42,280.

Shares issued during the year
Details of the shares issued during the year ended 31 December 2022 are set out in note 23.

Directors
The directors of the Company during the year and up to the date of report were:

Mr. Huang Ling	
Mr. Li Geping	(resigned on 26 June 2023)
Mr. Liu Naisheng	
Mr. Peng Wende	(resigned on 16 February 2023)
Mr. Wang Guangxue	
Mr. Xu Tao	(appointed on 16 February 2023)
Mr. Jiang Yueqin	(appointed on 26 June 2023)

There being no provision in the Company's Articles of Association for retirement by rotation, all directors continue in office.

During the year and up to the date of this report, Mr. Liu Naisheng, Mr. Wang Guangxue and Mr. Xu Tao are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Mr. Wang Wei, Ms. Xue Lan, Mr. Li Xinwei, Mr. Dai Bo, Mr. Xu Jiongwei, Ms. Li Huajing, Ms. Cui Xueying and Ms. Vanessa Rovene Gilman.

Mr. Peng Wende and Mr. Li Geping resigned on 16 February 2023 and 26 June 2023 respectively as director of the Group. Mr. Peng Wende and Mr. Li Geping have confirmed that they have no disagreement with the Board and nothing relating to the affairs of the Group needed to be brought to the attention of the shareholders of the Group.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Group's business
No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' interests in the shares and debentures of the Company or any specified undertaking of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries, its parent company a party to any arrangement to enable the directors of the Company to hold any interests in the shares, or debentures of, the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the company were entered into or existed during the year.

Business review

No business review is presented as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance since it is a wholly-owned subsidiary of CSC Financial Co., Ltd.

Permitted indemnity provision

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

ON BEHALF OF THE BOARD

Jiang Yueqin
Director

Hong Kong, 30 JUN 2023

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Securities (International) Finance Holding Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 7 to 67, comprise:

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

Our opinion

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

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBER OF CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Report of the Directors, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBER OF CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBER OF CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 JUN 2023

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$	2021 HK$
REVENUE	4	290,381,926	260,748,745
Other income	4	528,929,650	282,173,793
Other (loss)/gain, net	5	(201,172,777)	55,793,296
Administrative and other operating expenses	6	(409,978,843)	(367,267,798)
Credit impairment losses on financial assets		(7,670,615)	(243,521)
Operating profit		200,489,341	231,204,515
Finance costs	7	(275,989,689)	(120,367,827)
Share of profit of investment in an associate	12	-	2,369,650
Gain on disposal of investment in an associate	12	-	20,886,606
(Loss)/profit before tax		(75,500,348)	134,092,944
Income tax expense	9	(41,538,991)	(21,957,015)
(Loss)/profit for the year		(117,039,339)	112,135,929

The above consolidated income statement should be read in conjunction with the accompanying notes.

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 HK$	2021 HK$
(Loss)/profit for the year	(117,039,339)	112,135,929
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net losses on investments in debt instruments designated as at fair value through other comprehensive income	(223,569,470)	(5,863,618)
Impact of deferred tax	36,888,962	967,497
Items that will not be reclassified subsequently to profit or loss		
Net (losses)/gains on investment in equity instrument designated as at fair value through other comprehensive income	(18,280,430)	54,095,150
Currency translation differences	(216,252)	107,073
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(205,177,190)	49,306,102
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(322,216,529)	161,442,031

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	2022 HK$	2021 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	10	19,741,963	19,659,192
Right-of-use assets	14	78,123,118	160,185,875
Other long-term assets		25,886,992	23,076,874
Intangible asset	13	1,000,000	1,000,000
Deferred tax assets	15	99,388,322	78,840,523
Prepayments, deposits and other receivables		12,232,805	15,026,803
Total non-current assets		236,373,200	297,789,267
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	24	7,015,603,186	2,686,279,460
Accounts receivable	16	980,030,476	777,581,576
Prepayments, deposits and other receivables		124,952,102	84,663,149
Financial assets at fair value through profit or loss	17	10,330,659,024	7,982,268,691
Amount due from immediate holding company	26	786,603,443	191,703,161
Amount due from a fellow subsidiary	26	73,945,168	80,788,735
Bank trust account balances	18	1,323,128,828	1,929,585,321
Cash and cash equivalents	19	679,247,314	1,469,492,572
Total current assets		21,314,169,541	15,202,362,665
CURRENT LIABILITIES			
Accounts payable	20	2,422,984,266	2,016,931,657
Other payables and accruals		227,935,953	146,278,524
Lease liabilities	14	31,726,144	44,491,899
Financial liabilities at fair value through profit or loss	17	375,399,973	47,132,549
Bank borrowings	21	6,727,442,904	1,207,648,782
Short term financing instruments payable	22	113,048,687	-
Tax payable		11,799,485	232,092
Total current liabilities		9,910,337,412	3,462,715,503
NET CURRENT ASSETS		11,403,832,129	11,739,647,162
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	19,279,185	5,643,392
Lease liabilities	14	53,075,449	122,711,583
Issued bonds	25	7,773,772,355	7,792,786,585
Total non-current liabilities		7,846,126,989	7,921,141,560
NET ASSETS		3,794,078,340	4,116,294,869

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Notes	2022 HK$	2021 HK$
EQUITY			
Equity attributable to the owner of the Company			
Share capital	23	4,000,000,000	4,000,000,000
(Accumulated loss) / retained earnings		(39,757,336)	77,282,003
Reserves		(166,164,324)	39,012,866
TOTAL EQUITY		3,794,078,340	4,116,294,869

The consolidated financial statements on page 7 to 67 were approved by the Board of Directors on 30 JUN 2023 and were signed on its behalf

Jiang Yueqin
Director

Xu Tao
Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company				
	Share capital HK$	(Accumulated loss)/retained earnings HK$	Exchange reserve HK$	Other reserves HK$	Total equity HK$
Balance at 1 January 2021	2,000,000,000	(34,853,926)	704,277	(10,997,513)	1,954,852,838
Profit for the year	-	112,135,929	-	-	112,135,929
Other comprehensive income for the year	-	-	107,073	49,199,029	49,306,102
Total comprehensive income for the year	-	112,135,929	107,073	49,199,029	161,442,031
Capital contributions during the year	2,000,000,000	-	-	-	2,000,000,000
Balance at 31 December 2021 and 1 January 2022	4,000,000,000	77,282,003	811,350	38,201,516	4,116,294,869
Loss for the year	-	(117,039,339)	-	-	(117,039,339)
Other comprehensive loss for the year	-	-	(216,252)	(204,960,938)	(205,177,190)
Total comprehensive loss for the year	-	(117,039,339)	(216,252)	(204,960,938)	(322,216,529)
Balance at 31 December 2022	4,000,000,000	(39,757,336)	595,098	(166,759,422)	3,794,078,340

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$	2021 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(75,500,348)	134,092,944
Adjustments for:			
Finance costs	7	275,989,689	120,367,827
Unrealised exchange difference		(68,372,193)	(11,554,626)
Other interest income	4	(13,662,935)	(4,181,748)
Bond interest income	4	(455,540,950)	(241,928,700)
Dividend income	4	(40,380,218)	(26,915,507)
Credit impairment losses on financial assets		7,670,615	243,521
Unrealised loss on financial assets at fair value through profit or loss		159,835,915	90,588,400
Depreciation	6	45,683,342	50,991,368
Share of profit of investment in an associate	12	-	(2,369,650)
Gain on disposal of invesment in an associate	12	-	(20,886,606)
		(164,277,083)	88,447,223
Increase in other long-term assets		(2,810,118)	(5,636,047)
Decrease/(increase) in prepayments, deposits and other receivables		86,171,377	(15,396,465)
Increase in accounts receivable		(219,883,487)	(46,643,321)
Decrease in loan receivable		-	103,259,932
Decrease/(increase) in bank trust account balances		606,456,493	(652,964,311)
Increase in accounts payable		406,052,609	417,549,786
Increase in other payables and accruals		35,361,062	17,787,583
Change in net amount with immediate holding company		(594,900,282)	(293,391,759)
Change in net amount with with a fellow subsidiary		6,843,567	-
Cash generated from/(used in) operations		159,014,138	(386,987,379)
Interest received		11,003,165	4,181,748
Income tax paid		(165,330)	(19,770,415)
Net cash inflow/(outflow) of operating activities		169,851,973	(402,576,046)

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 HK$	2021 HK$
CASH FLOWS FROM INVESTING ACTIVITIES			
Bond interest received		334,534,388	241,928,700
Dividend received		40,380,218	26,915,507
Purchase of property, plant and equipment		(7,088,840)	(7,236,682)
Purchase of intangible assets		-	(500,000)
Proceeds from disposal of financial assets/financial liabilities at fair value through profit or loss		23,529,702,567	14,484,881,039
Proceeds from disposal of financial assets at fair value through other comprehensive income		2,383,009,378	3,242,585,978
Purchase of financial assets/financial liabilities at fair value through profit or loss		(25,649,978,316)	(19,372,422,096)
Purchase of financial assets at fair value through other comprehensive income		(6,941,435,026)	(3,509,017,328)
Net cash outflow of investing activities		(6,310,875,631)	(4,892,864,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		70,540,184,031	39,202,295,103
Repayment of bank borrowings		(65,022,680,431)	(38,736,783,308)
Interest paid		(237,630,271)	(62,747,620)
Principal elements of lease payments		(39,016,405)	(42,875,875)
Issue of bond		-	3,879,288,064
Proceeds of short term financing instruments payable		113,048,687	-
Proceeds from issue of shares		-	2,000,000,000
Net cash inflow from financing activities		5,353,905,611	6,239,176,364
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(787,118,047)	943,735,436
Cash and cash equivalents at beginning of year		1,469,492,572	524,619,382
Effect of exchange rate changes		(3,127,211)	1,137,754
CASH AND CASH EQUIVALENTS AT END OF YEAR		679,247,314	1,469,492,572
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	679,247,314	1,469,492,572

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

China Securities (International) Finance Holding Company Limited (the 'Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 18/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") are investment holding, provision of corporate finance, securities brokerage, insurance brokerage and asset management services. The principal activities of its subsidiaries are set out in note 11 to the consolidated financial statements.

In the opinion of the directors, the ultimate holding company of the Company as at 31 December 2022 is CSC Financial Co., Ltd. (the "Parent Company"), a company incorporated in the People's Republic of China with limited liability.

These financial statements are presented in Hong Kong dollars ("HKD" or "HK$"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and the requirement of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss and other comprehensive income, which are measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i) New and amended standards adopted by the Group

The following standards, amendments and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRS Standards 2018-2020	Amendment to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards Amendment to HKFRS 9, Financial Instruments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

i) New and amended standards adopted by the Group

The Group has assessed the effect of applying the new standards and the new standards do not have a material impact on the financial statements. The standards and amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

ii) New standard and interpretation not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.3 SUBSIDIARIES

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 SUBSIDIARIES (CONTINUED)

(a) Business combinations (Continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any noncontrolling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the noncontrolling interest' s proportionate share of the acquired entity' s net identifiable assets.

Acquisition-related costs are expensed as incurred.
The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity' s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

2.5 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 ASSOCIATES (CONTINUED)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investment in an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.6 FAIR VALUE MEASUREMENT

The Group measures its equity investments at fair value at the end of each reporting period. 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. The 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 FAIR VALUE MEASUREMENT (CONTINUED)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	5 years
Furniture and fixtures	3 years
Office equipment	3-5 years
Computer equipment	2-5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.9 INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets, representing eligibility rights to trade on or through The Hong Kong Stock Exchange Limited (the "Stock Exchange"), with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES (CONTINUED)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets useful life.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

2.11 FINANCIAL INSTRUMENTS

(a) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised 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) Amortised cost; (ii) Fair value through other comprehensive income ("FVOCI"); (iii) Fair value through profit or loss ("FVPL").

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). 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 lending 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 FVPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Initial recognition and measurement (Continued)

Financial assets (Continued)

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) Amortised 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 amortised 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 amortised cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL 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 only.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Initial recognition and measurement (Continued)

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised 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 recognised by buyers should be measured as FVTPL under business combination for entities owned by different ultimate shareholders.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss: (i) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch"); (ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

(b) Reclassification of financial assets

When the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognised 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:

Amortised cost

The amortised 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 amortisation 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 amortised cost before any impairment allowance) or to the amortised 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 amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Subsequent measurement of financial instruments (Continued)

Subsequent measurement of financial instruments depends on the categories (Continued):

Amortised cost (Continued)

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 recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) POCI, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised 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 amortised 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 amortised cost which are recognised 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 recognised in OCI and are not subsequently reclassified to profit or loss. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established, and it is probable that future economic benefits associated with the item will flow to the Group, and the amounts of the dividends can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Subsequent measurement of financial instruments (Continued)

Subsequent measurement of financial instruments depends on the categories (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 recognised in profit or loss and presented in the profit or loss in the period in which it arises.

Equity instruments

Gains and losses on equity investments at FVPL are included in profit or loss.

Financial liabilities at fair value through profit or loss

Gains or losses on financial liabilities designated as at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The gains and losses from financial liabilities including the effects of credit risk variance should be recognised in current profit and loss by the Group.

(d) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of market approach, income approach and cost approach. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practicable to access.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair value of financial instruments (Continued)

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets and financial liabilities based on the inputs used when determining the fair value:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The level of fair value measurement depends on the lowest level of input that is significant to the entire fair value measurement.

(e) Impairment of financial assets

The Group assesses on a forward-looking basis the ECL associated with its debt instrument carried at amortised cost and FVOCI.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures the ECL of a financial instrument reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 recognise 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Impairment of financial assets (Continued)

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 recognised in OCI and the impairment loss is recognised 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 recognised in profit or loss.

(f) Derecognition of financial instruments

A financial asset is derecognised, 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 the financial assets designated as at FVOCI are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to retained earnings. .

A financial liability is derecognised 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 derecognised, cumulative gains and losses are subsequently reclassified from other comprehensive income to retained earnings.

(g) 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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are reported separately.

(h) Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The method of recognising the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in fair value of any derivative financial instruments are recognised immediately in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 CLIENT TRUST BANK BALANCES

The Group has classified the clients' monies as cash held on behalf of customers under the current assets in the consolidated statement of financial position and recognised corresponding accounts payable to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies.

2.13 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, which have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.14 OTHER LONG-TERM ASSETS

Other long-term assets represent the deposits and admission fee paid to The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), Hong Kong Securities Clearing Company Limited and other regulators. They are intended to be held on a long-term basis and are stated at cost less impairment losses.

2.15 PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

2.16 INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 INCOME TAX (CONTINUED)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or 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 profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised, except:

- when the deferred 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 profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably.

Further details of the nature and effect of the revenue recognition accounting policy are set out below:

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

<u>Presentation of contract assets and liabilities</u>

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 REVENUE RECOGNITION (CONTINUED)

(a) brokerage commission income on dealing in securities and future contracts is recognised on a trade date basis when the relevant transaction is executed;

(b) fund management fee income, consultancy fee income and other service income are recognised when the services are rendered;

(c) interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) dividend income is recognised when the shareholders' or unitholders' right to receive payment has been established;

(e) underwriting and placement commission income is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty. Revenue is recoginsed in the amount to which the Group has a right to invoice; and

(f) brokerage commission income is recognised in full on acceptance and inception of the associated policy by the relevant third-party product provider. The performance obligation is the initial advice provided to a client which leads to investment in a third-party product. A contract liability is recognized for any amounts received which do not meet the 'highly probable' threshold. Interest income is recognised on a time-proportion basis using the effective interest method.

2.18 EMPLOYEE BENEFITS

(a) Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(b) Bonuses

The Group recognises a liability and an expense for bonuses, based on an approved formula that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency and the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.20 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;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Company 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 Company are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity provides key management personnel services to the Company or the parent of the Company.

2.21 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosure, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(1) Measurement of the expected credit loss allowance

Expected credit loss measurement

The measurement of the expected credit loss allowance for financial assets measured at amortised cost, accounts receivable and bank deposits is an area that requires the use of models and assumptions about future economic conditions and credit behavior of the client (such as the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk ("SICR");
- choosing appropriate models and assumptions for the measurement of ECL; and
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Inputs, assumptions and estimation techniques

The ECL of different financial portfolios is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3 as defined above.

Forward – looking information incorporated in the ECL model

A pervasive concept in measuring ECL in accordance with HKFRS9 is that it should consider forward-looking information. The assessment of SICR and the calculation of ECL both incorporate forward-looking information which is subject to significant judgement. Details of the forward looking information incorporated in the ECL model is disclosed in note 29.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Significant judgements

(1) 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.

(2) Recognition of underwriting and placement commission fee income

Revenue is measured at the fair value of the consideration received or receivable arising from the rendering of services in the ordinary course of the Group's principal activities. The management of the Group made critical judgements to determine if the underwriting and placement commission fee income should be recognised in the current period. For the year ended 31 December 2022, the Company has recognised underwriting and placement commission income of HK$193,684,522 (2021: HK$105,474,111) and the management of the Group has judged that these fees are recognised as the service has been rendered during the year. The Group has no remaining obligation for these services and the collectability is reasonably assured.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Significant judgements (Continued)

(3) *Income taxes, deferred taxes and other taxes*

The Group is subject to income taxes in the jurisdictions where its subsidiaries operate. Significant judgement is required in determining provisions for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Group is also exposed to other taxes and duties. Significant judgement is required in determining these provisions. Where the final outcomes of these matters differ from the actual results, such difference will impact the provisions made and the earnings stated in the income statement.

Recognition of deferred tax assets, which principally relate to tax losses, depends on the expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different. Management has performed an assessment on the recoverability of these deferred tax assets and consider that the realisation of these tax losses probable and no impairment provision is required as at year end.

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	2022 HK$	2021 HK$
Revenue from contracts with customers		
Fund management fee income	134,537	2,418,072
Brokerage commission income	75,620,458	104,550,184
Underwriting and placement commission income	193,684,522	105,474,111
Consultancy fee income	4,975,599	23,231,036
Revenue from other sources		
Interest income from margin loans	15,966,810	25,075,342
	290,381,926	260,748,745

4. REVENUE AND OTHER INCOME (CONTINUED)

	2022 HK$	2021 HK$
<u>Other income</u>		
Bond interest income	455,540,950	241,928,700
Other interest income	13,662,935	4,181,748
Dividend income	40,380,218	26,915,507
Other services and handling income	19,345,547	9,147,838
	528,929,650	282,173,793

5. OTHER (LOSS)/GAIN, NET

	2022 HK$	2021 HK$
Fair value (loss) / gain on investments at fair value through profit or loss, net	(172,471,956)	27,537,354
(Loss) / gain from disposal of investments at fair value through other comprehensive income	(9,511,514)	9,980,195
Foreign exchange difference	(25,901,218)	11,554,626
Others	6,711,911	6,721,121
	(201,172,777)	55,793,296

6. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2022 HK$	2021 HK$
Auditor's remuneration	730,740	730,000
Communication and information costs	32,034,035	32,943,758
Commission expenses	35,776,313	18,625,223
Depreciation (notes 10 and 14)	45,683,342	50,991,368
Directors' benefits and interests (note 8)	19,775,022	18,639,050
Employee benefit expenses		
Salaries and other benefits	210,531,530	192,709,626
Pension scheme contributions	7,889,502	5,900,927
Operating lease payments	-	22,001
Professional fee and consultation fee	14,258,507	6,687,791
Transportation and entertainment	13,474,426	14,934,620
Others	29,825,426	25,083,434
	409,978,843	367,267,798

7. FINANCE COSTS

	2022 HK$	2021 HK$
Interest on bank borrowings	25,503,075	10,297,176
Interest on repurchase agreements	109,367,950	2,447,452
Interest expense on bonds issued	125,047,015	100,785,719
Interest expense on short term financing instruments payable	772,732	-
Interest on lease (note 14)	4,392,323	6,823,973
Interest expense with brokers and clients	10,906,594	13,507
	275,989,689	120,367,827

8. BENEFITS AND INTERESTS OF DIRECTORS

(A) Directors' emoluments

The remuneration of directors is set out below:

For the year ended 31 December 2022 and 2021:

	Salaries HK$	Discretionary bonus HK$	Estimated money value of other benefit HK$	Total HK$
2022	12,420,000	7,355,022	90,000	19,865,022
2021	11,664,000	6,885,050	90,000	18,639,050

(B) Directors' material interests in transactions, arrangements or contracts

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, subsisted at the end of the year or at any time during the year.

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the group operates, with the average corporation tax rates applicable to the subsidiaries in the China being 25% (2021: 25%).

	2022 HK$	2021 HK$
Current tax expense		
- Hong Kong Profit Tax for the year	(11,698,086)	(79,974)
- PRC Corporate Income Tax	-	(8,682,823)
- Others	-	(19,169,654)
Over-provision in prior year	136,051	-
	(11,562,035)	(27,932,451)
Deferred tax (expense)/credit for the year (note 15)	(29,976,956)	5,975,436
	(41,538,991)	(21,957,015)

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate to the income tax at the effective tax rate is as follows:

	2022 HK$	2021 HK$
(Loss) / profit before tax	(75,500,348)	134,092,944
Tax at the applicable income tax rates	12,457,557	(22,125,335)
Income not subject to tax	42,300,384	12,373,935
Expenses not deductible for tax	(23,958,179)	(4,906,627)
Tax effect of temporary difference	(5,863,395)	26,055,317
Tax effect of unused tax losses not recognised	(67,901,823)	(6,187,015)
Tax effect of prior year's tax losses utilised this year	1,402,139	-
Withholding tax charged	-	(27,781,894)
Over-provision of tax expenses in prior year	136,051	-
Others	(111,725)	614,604
	(41,538,991)	(21,957,015)

As at 31 December 2022, out of the total tax losses of HK$811,619,310 (2021: HK$498,570,262), deferred tax assets of HK$60,627,163 (2021: HK$75,393,589) have been recognised in respect of tax losses as the directors believe that future taxable profits will be available to utilise these tax losses to be approved by the Hong Kong Inland Revenue Department ("IRD") in some of the subsidiaries of the Group.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$	Fixture and furnitures HK$	Office equipment HK$	Computer equipment HK$	Total HK$
Cost:					
At 1 January 2021	25,446,972	2,506,334	3,237,943	32,506,110	63,697,359
Additions	-	-	15,918	7,220,764	7,236,682
At 31 December 2021 and 1 January 2022	25,446,972	2,506,334	3,253,861	39,726,874	70,934,041
Additions	-	-	-	7,088,840	7,088,840
At 31 December 2022	25,446,972	2,506,334	3,253,861	46,815,714	78,022,881
Accumulated depreciation:					
At 1 January 2021	17,625,017	2,500,232	3,189,576	21,671,690	44,986,515
Depreciation for the year	1,701,204	6,102	18,216	4,562,812	6,288,334
At 31 December 2021 and 1 January 2022	19,326,221	2,506,334	3,207,792	26,234,502	51,274,849
Depreciation for the year	1,701,204	-	5,304	5,299,561	7,006,069
At 31 December 2022	21,027,425	2,506,334	3,213,096	31,534,063	58,280,918
Net carrying amount					
At 31 December 2022	4,419,547	-	40,765	15,281,651	19,741,963
At 31 December 2021	6,120,751	-	46,069	13,492,372	19,659,192

11. SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2022:

Name	Place of incorporation	Principal activities	Proportion of equity interests directly held by the Company (%)	Proportion of equity interests held by the Group (%)
China Securities (International) Asset Management Company Limited	Hong Kong	Asset management	100 (2021:100)	-
China Securities (International) Brokerage Company Limited	Hong Kong	Securities brokerage	100 (2021:100)	-
China Securities (International) Corporate Finance Company Limited	Hong Kong	Corporate Finance	100 (2021:100)	-
China Securities (International) Finance Company Limited	Hong Kong	Direct Investment	100 (2021:100)	-
China Securities (International) Investment Company Limited	Hong Kong	Proprietary Investment	100 (2021:100)	-
CSCI Insurance Broker Limited	Hong Kong	Insurance brokerage	100 (2021:100)	-
China Securities (Hong Kong) Investment Management Company Limited	Hong Kong	Investment management	-	100 (2021:100)
CSCI Bond Fund	Cayman Islands	Investment holding	-	100 (2021:100)
CSCI Balanced Fund SP	Cayman Islands	Investment holding	-	100 (2021:100)
CSCIF Asia Limited	British Virgin Islands	Issuer of a listed bond	-	100 (2021:100)

12. INVESTMENT IN AN ASSOCIATE

Particulars of the material associate are as follows:

Name	Place of incorporation	Principal activities	Issued and paid-up capital	Direct interest held
中信城市发展股权投资基金管理（深圳）有限公司	People's Republic of China	Investment Management	RMB100,000,000	- % (2021: -%)

The Group recognised its interest in the associate using the equity method of accounting.

12. INVESTMENT IN AN ASSOCIATE (CONTINUED)

On 17 September 2021, the Group and 中信建投投資有限公司, a fellow subsidiary, entered into an equity transfer agreement, pursuant to which the Group agreed to sell, and the fellow subsidiary agreed to purchase 29% of the equity interests in 中信城市发展股权投资基金管理（深圳）有限公司 at the consideration of RMB70,170,000 (equivalent to HK$83,025,476).

The balance of investment in associate was therefore nil as at 31 December 2021. Share of profit of associate has been recorded up to 31 August 2021. The net asset value as at 31 August 2021 was RMB 52,776,526 (equivalent to HK$62,138,870). A gain on disposal of investment in an associate was recorded accordingly.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

	2021 HK$
Opening balance	59,769,220
Share of profit of associate	2,369,650
At date of disposal	62,138,870
Less: consideration of disposal	(83,025,476)
Gain on disposal of investment in an associate	(20,886,606)

As at 31 December 2021, the cash consideration was not settled and included in amount due from a fellow subsidiary.

13. INTANGIBLE ASSET

	2022 HK$	2021 HK$
Cost and net carrying amount at 31 December	1,000,000	1,000,000

Intangible asset comprised the eligibility rights to trade on or through the Stock Exchange. The trading right has no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right is considered by management of the Group as having indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may not be impaired.

The recoverable amounts of the cash-generating unit of securities brokerage have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets prepared by management.

14. LEASES

	Properties leased for own use carried at cost HK$
Lease Liabilities	
At 1 January 2021	210,079,357
Interest expense	6,823,973
Lease payments	(49,699,848)
At 31 December 2021 and 1 January 2022	167,203,482
Interest expense	4,392,323
Lease payments	(43,408,728)
Lease modification (note iii)	(43,385,484)
At 31 December 2022	84,801,593
Right-of-use assets	
Cost	
At 1 January 2021, 31 December 2021 and 1 January 2022	268,218,209
Lease modification (note iii)	(43,385,484)
At 31 December 2022	224,832,725
Accumulated depreciation	
At 1 January 2021	63,329,300
Depreciation	44,703,034
At 31 December 2021 and 1 January 2022	108,032,334
Depreciation	38,677,273
At 31 December 2022	146,709,607
Net carrying amounts	
At 31 December 2022	78,123,118
At 31 December 2021	160,185,875

14. LEASES (CONTINUED)

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2022 HK$	2021 HK$
Right-of-use assets		
Buildings	78,123,118	160,185,875
Lease liabilities		
Current	31,726,144	44,491,899
Non-current	53,075,449	122,711,583
	84,801,593	167,203,482

There was no addition to the right-of-use assets during the year ended 31 December 2022 (2021: nil).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2022 HK$	2021 HK$
Depreciation charge of right-of-use assets		
Buildings	38,677,273	44,703,034
Interest expense (included in finance cost)	4,392,323	6,823,973
Expense relating to short-term leases (included in administrative expenses)	-	22,001

The total cash outflow for leases in 2022 was HK$ 43,408,728 (2021: HK$49,719,848).

(iii) For the year ended 31 December 2022, the consideration lease modification amounted to HK$43,385,484 was recorded in lease liabilities and right-of-use assets.

15. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Movement in deferred tax assets/(liabilities) (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

(i) Deferred tax assets

	Depreciation allowance HK$	Tax loss/ (recover) HK$	Change in fair value of financial assets at fair value through profit or loss and through other comprehensive income HK$	Allowance for credit impairment losses HK$	Total HK$
At 1 January 2021	-	73,570,990	-	-	73,570,990
Credited to the consolidated income statement during the year	2,012,311	1,948,063	-	1,434,623	5,394,997
Exchange difference	-	(125,464)	-	-	(125,464)
At 31 December 2021 and 1 January 2022	2,012,311	75,393,589	-	1,434,623	78,840,523
Credited/(charged) to the consolidated income statement during the year	(168,734)	(14,766,426)	(2,572,884)	1,166,881	(16,341,163)
Credited to the other comprehensive income during the year	-	-	36,888,962	-	36,888,962
At 31 December 2022	1,843,577	60,627,163	34,316,078	2,601,504	99,388,322

15. DEFERRED TAX (CONTINUED)

(ii) Deferred tax liabilities

	Depreciation allowance HK$	Change in fair value of financial assets at fair value through profit or loss and through other comprehensive income HK$	Total HK$
At 1 January 2021	-	(7,191,328)	(7,191,328)
(Charged)/credited to the consolidated income statement during the year	(1,805,509)	2,385,948	580,439
Credited to other comprehensive income during the year	-	967,497	967,497
At 31 December 2021 and 1 January 2022	(1,805,509)	(3,837,883)	(5,643,392)
Charged to the consolidated income statement during the year	(49,032)	(13,586,761)	(13,635,793)
At 31 December 2022	(1,854,541)	(17,424,644)	(19,279,185)

16. ACCOUNTS RECEIVABLE

	2022 HK$	2021 HK$
Accounts receivable from:		
- securities dealing:		
- margin clients	436,933,700	304,527,462
- cash clients	181,395,061	204,855,945
- brokers	402,751,242	343,211,702
- clearing house	66,756,964	40,239,608
- asset management services	-	112,499
- professional, advisory and underwriting services	22,852,282	28,321,591
- other accounts receivable	19,375,814	-
	1,130,065,063	921,268,807
Less: impairment provision	(150,034,587)	(143,687,231)
	980,030,476	777,581,576

16. ACCOUNTS RECEIVABLE (CONTINUED)

The movements of impairment provision during the years ended 31 December 2022 and 2021 are as below.

	2022 HK$	2021 HK$
At 1 January	143,687,231	143,564,489
Increase in impairment provision	6,527,995	122,742
Exchange realignment	(180,639)	-
At 31 December	150,034,587	143,687,231

Securities dealing services

The Group allows a credit period up to the settlement dates of the respective securities transactions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances, if any, are reviewed regularly by management, and bear interest with reference to the Hong Kong dollar prime rate.

Corporate finance services

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risks. Overdue balances, if any, are reviewed regularly by management.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

17. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$	2021 HK$
Designated financial assets at fair value through profit or loss		
PRC:		
- quoted bonds	1,389,406,672	1,932,090,800
- derivatives (note)	289,518,118	66,064,444
- listed equities	247,747,788	-
- private equity	202,714,980	316,400,678
- fund	382,880,299	-
Hong Kong:		
- exchange traded funds	1,287,734,564	1,005,637,653
- quoted funds	9,713,854	-
- listed equities	1,889,689,655	1,044,798,049
- derivatives	62,315,208	-
United States:		
- exchange traded funds	20,413,387	-
- listed equities	1,268,520,181	348,566,477
- derivatives	14,302,968	-
Cayman Islands:		
- quoted bonds	511,975,963	1,022,635,251
- quoted funds	-	335,997,811
British Virgin Islands:		
- quoted bonds	2,599,791,476	1,894,214,109
Bermuda:		
- quoted bonds	-	15,863,419
United Kingdom:		
- derivatives	951,153	-
- quoted bonds	37,389,609	-
Canada:		
- quoted bonds	115,593,149	-
	10,330,659,024	7,982,268,691

	2022 HK$	2021 HK$
Designated financial liabilities at fair value through profit or loss		
PRC:		
- derivatives	194,170,341	47,132,549
- structured notes	82,030,741	-
United States:		
- bonds	77,708,424	-
- derivatives	21,490,467	-
	375,399,973	47,132,549

17. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note: The Group entered into total return swap contracts with the immediate holding company, in which the immediate holding company is subject to fair value changes of the underlying securities in these contracts and the Company received fixed interest. The details of the related party transactions are disclosed in note 25 to the consolidated financial statements.

As at 31 December 2022, the notional amount of all the derivatives held by the Company was approximately HK$6,984,510,902 (2021: HK$1,406,379,779).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gain, net' in the consolidated income statement.

As at 31 December 2022, quoted bonds of HK$3,066,983,049 (2021: HK$720,093,206) measured at fair value through profit or loss were pledged as security for a bank facility with bank borrowings of HK$2,495,126,957 (2021: HK$614,332,507) drawn.

18. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its subsidiaries' normal course of business licensed by the Securities and Futures Commission (the "SFC"). The Group has classified these clients' monies as bank trust account balances under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Group is not permitted to use the clients' monies to settle its own obligations. The clients' monies is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

19. CASH AND BANK BALANCES

	2022 HK$	2021 HK$
Cash and bank balances	679,247,314	1,469,492,572

Cash at banks are maintained at banks' current and saving accounts. The bank balances are deposited with creditworthy bank with no recent history of default.

20. ACCOUNTS PAYABLE

	2022 HK$	2021 HK$
Accounts payable to:		
- securities clients		
- cash clients	1,116,333,108	1,647,049,929
- margin clients	163,402,982	301,775,094
- future clients	25,283,898	24,052,587
- broker	937,923,311	43,820,602
- clearing house	43,268,301	-
Other accounts payable	136,772,666	233,445
	2,422,984,266	2,016,931,657

20. ACCOUNTS PAYABLE (CONTINUED)

Included in the accounts payable of HK$1,305,019,988 (2021: HK$1,972,877,610) are amounts repayable to clients arising from the ordinary course of the Group's securities brokerage and asset management business. The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

The carrying amounts of the Group's accounts payable approximate to their fair values.

21. BANK BORROWINGS

	2022 HK$	2021 HK$
Current:		
Secured bank borrowings	5,340,844,787	1,083,174,800
Unsecured bank borrowings	1,386,598,117	124,473,982
	6,727,442,904	1,207,648,782

	2022 HK$	2021 HK$
Denominated in		
Hong Kong Dollars ("HK$")	950,000,000	100,000,000
United States Dollars ("US$")	5,340,844,787	1,083,174,800
Renminbi ("RMB")	436,598,117	24,473,982
	6,727,442,904	1,207,648,782

As at 31 December 2022, the Group had entered into repurchase arrangements with banks. Repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them in the future. These are secured bank borrowings in substance. As at 31 December 2022, certain listed debt investments amounting to HK$6,614,972,573 (2021: HK$1,274,141,906) are delivered as collateral under the repurchase agreements.

The Group's bank borrowings bear effective interest ranging from 3.2% to 6.4% (2021: 0.4% to 4.6%) per annum. The bank borrowings have a loan tenor of up to one year. As at 31 December 2022, the banking factilities of HK$2,942,993,133 (2021: HK$3,449,333,410) were not utilised.

22. SHORT TERM FINANCING INSTRUMENTS PAYABLE

	2022 HK$	2021 HK$
Structured notes	113,048,687	-

The Group's short term financing instruments payable bear effective interest ranging from 1.55% to 5.05% per annum. The financial instruments are repayable upon maturity within one year

23. SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HK$
At 1 January 2021	200,000,000	2,000,000,000
Capital contributions in 2021	200,000,000	2,000,000,000
At 31 December 2021, 1 January 2022 and 31 December 2022	400,000,000	4,000,000,000

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$	2021 HK$
PRC:		
- quoted bonds	3,658,842,387	1,444,804,563
Hong Kong:		
- listed equity shares	101,101,970	119,382,400
- quoted bonds	301,622,776	289,347,464
Cayman Islands:		
- quoted bonds	427,473,226	67,063,036
British Virgin Islands:		
- quoted bonds	2,526,562,827	757,750,288
Bermuda		
- quoted bonds	-	7,931,709
	7,015,603,186	2,686,279,460

As at 31 December 2022, quoted bonds of HK$3,547,989,524 (2021: HK$554,048,700) measured at fair value through other comprehensive income were pledged as security for a bank facility with bank borrowings of HK$2,845,717,830 (2021: HK$468,842,293) drawn.

Movement of allowance for ECLs during the year are as follow:

	2022 HK$	2021 HK$
At the beginning of year	2,973,751	2,274,909
Charge for the year	1,142,620	698,842
At the end of the year	4,116,371	2,973,751

25. ISSUED BONDS

The Group issued a US$500,000,000 1.125% bonds at a discounted value of US$498,105,000 (equivalent to HK$3,884,247,695) on 10 June 2021. The bond matures three years from the issue date at their normal value on US$500,000,000 (equivalent to HK$3,899,025,000).

The bonds of US$500,000,000 1.75% at a discounted value of US$499,690,000 (equivalent to HK$3,858,210,101) issued on 4 August 2020. The bond matures five years from the issue date at their nominal value of US$500,000,000 (equivalent to HK$3,876,315,000).

26. RELATED PARTY TRANSACTIONS

The Group is controlled by the Parent Company, a company incorporated in the People's Republic of China, which owns 100% of the Company's shares.

(a) In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with the related parties:

	Notes	2022 HK$	2021 HK$
Gain on disposal of investment in an associate to a fellow subsidiary	12	-	20,886,606
Net realised gains from trading of derivative financial instruments with the immediate holding company	(i)	639,111,574	287,412,730
Net unrealised gains from trading of derivative financial instruments with the immediate holding company	(ii)	63,914,048	18,889,521
Amount due from/(to) immediate holding company	(iii)	786,603,443	191,703,161
Amount due from a fellow subsidiary	(iii)	73,945,168	80,788,735

(i) The Group incurred net realised gains from trading of total return swaps with the immediate holding company.

(ii) The Group incurred net unrealised gains from trading of total return swaps with the immediate holding company. Refer to note 17 for details on derivative financial instruments.

(iii) The balances with immediate holding company and fellow subsidiary are unsecured, interest-free and repayable on demand. The carrying amount of the balances with the immediate holding company and fellow subsidiary approximated to its fair value.

(b) *Key management compensation*
The emoluments paid to the directors of the Company, who are the key management personnel of the Company, are included in note 8 to the consolidated financial statements.

27. FINANCIAL INSTRUMENTS

Financial assets

Financial assets measured at amortised cost consists of long-term assets, deposits and other receivables, accounts receivable, bank trust account balances, amount due from immediate holding company and a fellow subsidiary and cash and cash equivalents. Financial assets measured at fair value consists of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial liabilities

Financial liabilities at amortised cost are accounts payable, other payables and accruals, bank borrowings, short term financing instruments payable and issued bonds.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the carrying amounts of other long-term assets, deposits and other receivables, accounts receivable, bank trust account balances, cash and cash equivalents, amounts due from immediate holding company and a fellow subsidiary, accounts payable, other payables, bank borrowings, short term financing instruments payable and issued bonds approximate their fair values.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through other comprehensive income	101,101,970	6,914,501,216	-	7,015,603,186
Financial assets at fair value through profit or loss	3,259,574,491	6,868,369,553	202,714,980	10,330,659,024
	3,360,676,461	13,782,870,769	202,714,980	17,346,262,210
Financial liabilities at fair value through profit or loss	-	350,319,987	25,079,986	375,399,973

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets at fair value through other comprehensive income	119,382,400	2,566,897,060	-	2,686,279,460
Financial assets at fair value through profit or loss	1,393,364,526	6,272,503,487	316,400,678	7,982,268,691
	1,512,746,926	8,839,400,547	316,400,678	10,668,548,151
Financial liabilities at fair value through profit or loss	-	47,132,549	-	47,132,549

The following table presents the movement in Level 3 investments held by the Group for the year:

	2022 HK$	2021 HK$
Balance at the beginning of the year	316,400,678	201,568,380
Fair value gains recognised in profit or loss	62,824,676	36,851,798
Transfer to level 2 investment	(176,510,374)	-
Purchase of investment	-	77,980,500
Balance at the end of the year	202,714,980	316,400,678

The following table presents information about valuation methodologies and significant unobservable inputs used for the financial assets at fair value through profit of loss that are measured at fair value and categorized within Level 3 as as 31 December 2022:

Investment	**Fair value (HK$)**	**Valuation techniques**	**Significant unobservable inputs**	**Range**	**Impact to valuation from an increase in input**
Private equity	202,714,980	Recent transactions	N/A	N/A	N/A

The Company's maximum exposure to loss from its interests in private equity is equal to the total fair value of its investment in the private equity.

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of the financial derivatives contracts recognised in financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss have been determined by management by using a option pricing model or discounted cash flow method. The significant unobservable inputs is volatility or discount rate.

Increase/decrease in the volatility would increase/decrease the fair value of the financial assets at fair value through profit or loss or decrease/increase the fair value of the financial liabilities at fair value through profit or loss.

Increase/decrease in the discount rate would decrease/increase the fair value of the financial assets at fair value through profit or loss or increase/decrease the fair value of the financial liabilities at fair value through profit or loss.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Since March 2020, the Parent Company has been officially included in the consolidated supervision pilot by China Securities Regulatory Commission ("CSRC"), and continued to strengthen the vertical control and group integrated management of domestic and overseas subsidiaries. In 2021, the Parent Company realised the integrated management of risk control and compliance of all subsidiaries at home and abroad, and further optimised certain aspects such as counterparty management, risk control of new business and new products, risk data management and system construction.

The Group adheres to the strategic policy and business philosophy of the Parent Company to put risk management in an important position and "risk management as priority, risk management by all". The Group ensures that the risks are measurable, controllable and bearable, and obtains reasonable risk returns. The Group 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 the Group can ensure the enhancement and effective operation of a comprehensive risk management mechanism during the reporting period.

The Group's principal financial assets and financial liabilities comprise cash and cash equivalents, bank trust account balances, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortised cost, accounts receivable, deposits and other receivables, issued bond, accounts payable, bank borrowings, other payables and accruals.

The main risk arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The policies for managing each of these risks are summarised below.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's accounts receivable, accounts payable, bank borrowings, bank trust account balances and cash and cash equivalents.

Interest on cash at banks will fluctuate at floating rates based on daily bank deposit rates. Bank borrowings and accounts receivable from margin clients at variable rates exposed the Group to cash flow interest rate risk. Other financial assets and liabilities are non-interest-bearing or fixed interest-bearing with short term maturities within one year, of which the interest rate risk is also considered to be minimal. The Group mitigates its interest rate risk by monitoring market interest rate movements and revising the interest rates offered to its customers on an ongoing basis in order to limit potential adverse effects of interest rate movements on net interest income. The Group regularly calculates the impact on profit or loss of a possible interest rate shift on its portfolio of bank borrowings, accounts receivable from margin clients and interest-bearing bank deposits.

Debt investments usually bear a fixed rate interest and they are managed through the strategy of trading them within a short period of time. Debt investments held for trading are expected to be traded within a short period of time, and therefore their fair value interest rate risk and cash flow interest rate risk are considered to be minimal.

As observable prices are available for the total return swap contracts, no sensitivity analysis has been presented solely for interest rate risk.

For those financial assets at variable interest rates, if there is a general increase/decrease in the interest rate by 3%, with all other variables held constant, the profit before tax for the year ended 31 December 2022 would have decreased/increased by approximately HK$128,961,556 (2021: profit before tax would have decreased/increased by HK$23,567,738 when interest rate increase/decrease by 1%).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in currency exchanges rates. The Group's financial assets and financial liabilities denominated in foreign currency mainly comprise United States dollars ("US$") and Renminbi ("RMB"). The HK$/US$ exchange rate has remained relatively stable during the year presented because HKD is pegged to the US$.

As at 31 December 2022, the net RMB exposure amounted to HK$901,666,328 (2021: HK$411,416,701).

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB exchange rate, with all other variables held constant and before any impact on tax, of the Group's loss before tax.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

31 December 2022

	Movement in foreign currency rate %	(Decrease)/ increase in profit before tax HK$
If Hong Kong Dollar strengthens against RMB	+10%	(90,166,633)
If Hong Kong Dollar weakens against RMB	-10%	90,166,633

31 December 2021

	Movement in foreign currency rate %	(Decrease)/ increase in profit before tax HK$
If Hong Kong Dollar strengthens against RMB	+5%	(20,570,835)
If Hong Kong Dollar weakens against RMB	-5%	20,570,835

Credit risk

Credit exposures arise principally from accounts receivable from clients, brokers and dealers and corporate clients, debt investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, bank balances and bank trust account balances which are included in the Group's asset portfolio.

The Board of Directors delegates to the Credit Committee the duties to manage and monitor the overall credit risk of the Group. The Credit Committee comprises Chief Executive Officer, Chief Operation Officer, the Head of Finance Department, Responsible Officers, the Head of Legal and Compliance Department and the Head of Risk Management Department. This committee is responsible for the development of financing business and approval of major credit exposure. When the limit reaches to the certain threshold, it is required to obtain the approval of the Parent Company's Risk Management Department and/or the Risk Management Committee.

The Risk Management Department is responsible for making settlement calls for margin loans on a daily basis when the trades of margin clients exceed their respective limits. The Risk Management Department determines whether a forced liquidation action is to be taken against clients with overdue balances on a case-by-case basis.

Other receivables from clients arising from dealing in securities and normally have delivery-against payment ("DVP") settlement terms of 1 to 3 days. The Group allows credit up to the settlement dates of the respective securities transactions (normally within T+1, T+2 or T+3 days). All applications for DVP limits must be reviewed and approved by the Risk Management Department. When the limit reaches to the certain threshold, it is required to obtain the approval of Head of Finance Department, Chief Executive Officer and/or the immediate holding Company's Risk Management Department.

For debt investments, the Risk Management Department uses external rating such as Standard & Poor's and Moody's ratings or their equivalents to manage credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Group's bank balances are deposited with respectable and large commercial banks. For the bank trust account balances which are held in segregated accounts, they are deposited with authorized institutions in Hong Kong regulated by the Hong Kong Monetary Authority ("HKMA"). The credit risk of bank balances and bank trust account balances are considered to be manageable.

Accounts receivable from clearing houses, brokers and dealers are placed with large financial institutions regulated by HKMA and/or the Hong Kong Securities and Futures Commission (the "SFC") which are subject to liquid capital requirements. The credit risk of accounts receivable from brokers and dealers is considered to be manageable.

Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period, in relation to each class of financial assets, is the carrying amount of those assets as reflected in the consolidated statement of financial position.

These amounts represent the worst case scenario of credit risk exposure to the Group at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 16 to the consolidated financial statements.

Expected credit loss ("ECL") measurement

The measurement of the ECL for debt instrument investments measured at amortised 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).

The Group has applied a 'three-stage' impairment model for ECL measurement based on changes in credit quality since initial recognition of financial assets as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "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".

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Expected credit loss ("ECL") measurement (Continued)

The Group's ECL allowance is recognised according to the stage of ECL as below.

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 a financial instrument at an amount equal to the lifetime ECL.

For financial assets classified under Stages 1 and 2, management assessed credit loss allowances using the risk parameter modelling approach that incorporated key parameters, including probability of default, loss given default and exposure at default. For credit-impaired financial assets classified under Stage 3, management assessed the credit loss allowances by estimating the cash flows expected to arise from the financial assets after taking into consideration forward looking factors.

The measurement of ECL adopted by the management according to HKFRS 9, involves judgements, assumptions and estimations in relation to:

- Selection of the appropriate models and assumptions;
- Determination of the criteria for SICR;
- Establishment of the number and relative weightings of forward-looking scenarios for each type of product.

Measuring ECL – inputs, assumptions and estimation techniques

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.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) taking into account forward-looking information.

The 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.

Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. For margin loan financing, the Company determines LGD, based on factors including the realisable 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 publicly available information from credit rating agencies, and type of securities. For structured loan financing, LGD is determined based on the collateral type.

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).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The criteria of Significant Increase in Credit Risk (SICR)

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.

The Group considered margin financing to have experienced a SICR if margin calls were made or the margin loan to margin value was larger than 120%. As at 31 December 2022, 23 (2021: one) of the margin loans was classified under stage 3.

For debt securities investments, the Company considered the debt securities investments to have experienced a SICR if the credit rating of the debt securities investments with credit rating equal to or above BBB- experienced a downgrading of 3 notches or more, compared with ratings as at origination or if the credit rating of the debt securities investments with credit rating below BBB- experienced a downgrading of 2 notches or more, compared with ratings as at origination. As at 31 December 2022, there was no downgrading of credit ratings of the debt securities investments.

A backstop is applied and the financial instrument considered to have experienced a SICR if the borrower or the debtor is more than 30 days past due on its contractual payments.

Definition of credit-impaired assets

The Group considers a financial instrument whether to be credit-impaired according to HKFRS 9, consistent with the internal credit risk management of financial instruments. The consideration includes quantitative criteria and qualitative criteria. The Group defines a financial instrument as credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments;
- For margin financing, force liquidation of a client's position triggered based on the pre-determined threshold of loan to collateral ratios; and collateral valuation falling short of the related loan amounts;
- The external ratings of issuers of debt securities or debt securities themselves are in default grade;
- The debtor is in significant financial difficulty;
- An active market for that financial asset has disappeared;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It becomes probable that the debtor will enter bankruptcy or other financial restructure.

A financial asset may be credit-impaired due to a combination of factors or events which may not be separately identifiable.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Forward-looking information

The calculation of ECL incorporated forward-looking information. The Group considers historical data and key economic variables impacting credit risk and ECL for each financial instrument portfolio. The impact of these economic variables on the PD, EAD and LGD has been determined by performing historical statistical regression analysis to forecast the expected changes in these variables on the default probability and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Expert team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each financial statement date.

At 31 December 2022, the Group adopted 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 into account of the range of possible outcomes, represented by each chosen scenario. The probability-weights assigned to the base scenario employed by the Group was higher than the sum of the optimistic scenario and pessimistic scenario.

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.

Sensitivity analysis

The allowance for credit losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, economic scenario weighting and other factors considered when applying expert judgment. Changes in these inputs, assumptions and judgments would have an impact on the assessment for SICR and the measurement of ECLs.

At 31 December 2022 and 2021, the impact on the optimistic ECL, pessimistic ECL against the base ECL, and the probability-weighted ECL derived from using the three aforesaid ECL scenarios compared to the base ECL scenario, is less than 5%.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Sensitivity analysis (Continued)

The credit loss allowance for accounts receivable and financial assets at fair value through other comprehensive income is as follow.

ECL:

	As at 31 December 2022 HK$	As at 31 December 2021 HK$
Accounts receivable (note 16)		
Stage 1	7,382,745	5,569,038
Stage 3	142,651,842	138,118,193
	150,034,587	143,687,231
Financial assets at fair value through other comprehensive income		
Stage 1	4,116,371	2,973,751

The changes of the impairment provision for accounts receivable is as follow:

	Stage 1 HK$	Stage 3 HK$
Balance as at 1 January 2022	5,569,038	138,118,193
Increase in impairment provision	6,527,995	-
Transfer to stage 3	(4,533,649)	4,533,649
Exchange realignment	(180,639)	-
	7,382,745	142,651,842

During the year ended 31 December 2021, there is no transfer between the stage 1 and 3 in respect of the Group's exposure to credit risk.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments.

The Group is exposed to price risk changes arising from equity shares, funds, bonds and derivatives classified as financial assets at fair value through other comprehensive income and financial assets/liabilities at fair value through profit or loss as at 31 December 2022 and 2021.

The following table demonstrates the sensitivity to every 5% change in the fair values of financial assets at fair value through other comprehensive income and financial assets/liabilities at fair value through profit or loss as at 31 December 2022 and 2021, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount HK$	Change in profit before tax HK$	Change in equity HK$
31 December 2022			
Investment in:			
Financial assets at fair value through profit or loss	10,330,659,024	311,812,600	-
Financial assets at fair value through other comprehensive income	7,015,603,186	-	350,780,200
Financial liabilities at fair value through profit or loss	375,399,973	18,770,000	-
31 December 2021			
Investment in:			
Financial assets at fair value through profit or loss	7,982,268,691	312,645,300	-
Financial assets at fair value through other comprehensive income	2,686,279,460	-	134,314,000
Financial liabilities at fair value through profit or loss	47,132,549	2,356,627	-

Liquidity risk

Internally generated cash flows, capital from the the immediate holding company, bonds issued and bank borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's banking facilities are subject to floating rates and are renewable annually. The Group's regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licensed activities. The Group's aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2022

	On demand HK$	Less than 3 month HK$	3 to less than 12 month HK$	1 to 5 years HK$	Total HK$
Accounts payable	2,422,984,266	-	-	-	2,422,984,266
Other payables and accruals	122,418,391	105,517,562	-	-	227,935,953
Financial liabilities at fair value through profit or loss	77,718,754	215,660,808	82,030,739	-	375,410,301
Lease liabilities	-	8,650,290	25,950,870	54,785,170	89,386,330
Short term financing instruments payable	-	-	116,169,464	-	116,169,464
Issued bond	-	34,110,694	77,967,300	7,955,084,078	8,067,162,072
Bank borrowings	-	6,754,128,094	-	-	6,754,128,094
	2,623,121,411	7,118,067,448	302,118,373	8,009,869,248	18,053,176,480

31 December 2021

	On demand HK$	Less than 3 month HK$	3 to less than 12 month HK$	1 to 5 years HK$	Total HK$
Accounts payable	2,016,931,657	-	-	-	2,016,931,657
Other payables and accruals	49,060,554	97,217,970	-	-	146,278,524
Financial liabilities at fair value through profit or loss	-	42,895,263	3,866,141	371,145	47,132,549
Lease liabilities	-	12,424,962	37,274,886	128,391,274	178,091,122
Issued bond	-	34,116,469	77,980,500	8,068,544,859	8,180,641,828
Bank borrowings	24,465,011	1,183,183,771	-	-	1,207,648,782
	2,090,457,222	1,369,838,435	119,121,527	8,197,307,278	11,776,724,462

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value. In addition, subsidiaries licensed by the SFC are obliged to meet the regulatory liquid capital requirements under the Securities and Futures (Financial Resources) Rules.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns and a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions. The directors of the Company and the corresponding responsible officers closely monitor the liquidity position to ensure it maintains liquid capital level adequate to support the activities level with sufficient buffer to accommodate the increase in liquidity requirement arising from process for managing capital during the year end 31 December 2022 and 31 December 2021.

The Group defines "capital" as including all components of equity.

30. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement ("CNS") money obligations receivable and trade payable with HKSCC and it intends to settle on a net basis as accounts receivable from or accounts payable to the Stock Exchange. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

	Gross amount of recognised financial assets/ (liabilities) HK$	Gross amount of recognised financial (assets)/liabilities offset in the consolidated financial statements HK$	Net amount of financial assets/(liabilities) reflected in the consolidated financial statements HK$	Related amount not set off in the consolidated statement of financial position HK$	Net HK$
As at 31 December 2022					
Financial Assets					
CNS money obligation receivable	85,145,462	(85,145,462)	-	-	-
Bonds pledged under repurchase agreements	6,614,972,573	-	6,614,972,573	(5,340,844,787)	1,274,127,786
Financial Liabilities					
CNS money obligation payable	(128,413,763)	85,145,462	(43,268,301)	-	(43,268,301)
Bank borrowings	(5,340,844,787)	-	(5,340,844,787)	5,340,844,787	-

	Gross amount of recognised financial assets/ (liabilities) HK$	Gross amount of recognised financial (assets)/liabilities offset in the consolidated financial statements HK$	Net amount of financial assets/(liabilities) reflected in the consolidated financial statements HK$	Related amount not set off in the consolidated statement of financial position HK$	Net HK$
As at 31 December 2021					
Finanacial Assets					
CNS money obligation receivable	211,078,871	(170,839,263)	40,239,608	-	40,239,608
Bonds pledged under repurchase agreements	1,274,141,906	-	1,274,141,906	(1,083,174,800)	190,967,106
Broker receivable	881,990	(291,237)	590,753	-	590,753
Financial Liabilities					
CNS money obligation payable	(170,839,263)	170,839,263	-	-	-
Broker payable	(291,237)	291,237	-	-	-
Bank borrowings	(1,083,174,800)	-	(1,083,174,800)	1,083,174,800	-

CHINA SECURITIES (INTERNATIONAL) FINANCE HOLDING COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$	2021 HK$
NON-CURRENT ASSETS		
Investment in subsidiaries	2,720,510,776	2,720,510,776
Property, plant and equipment	13,889,015	15,605,069
Right-of-use assets	78,123,118	160,185,875
Deferred tax assets	1,842,984	2,011,486
Prepayments, deposits and other receivables	12,232,805	15,026,803
Total non-current assets	2,826,598,698	2,913,340,009
CURRENT ASSETS		
Subordinated loan	300,000,000	300,000,000
Amounts due from subsidiaries	9,584,703,459	8,631,150,261
Amount due from a fellow subsidiary	73,945,168	80,788,735
Prepayments, deposits and other receivables	15,000	40,000
Financial asset at fair value through profit or loss	715,135,491	-
Cash and cash equivalents	20,215,137	607,627,448
Total current assets	10,694,014,255	9,619,606,444
CURRENT LIABILITIES		
Amounts due to subsidiaries	8,234,572,640	8,146,858,182
Other payables and accruals	128,712,007	113,865,192
Lease liabilities	31,726,144	44,491,899
Bank borrowings	1,286,598,117	100,008,971
Financial liabilities at fair value through profit or loss	12,036,599	-
Total current liabilities	9,693,645,507	8,405,224,244
NET CURRENT ASSETS	1,000,368,748	1,214,382,200
NON-CURRENT LIABILITIES		
Deferred tax liabilities	973,563	1,137,053
Lease liabilities	53,075,449	122,711,583
Total non-current liabilities	54,049,012	123,848,636
NET ASSETS	3,772,918,434	4,003,873,573

31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	2022 HK$	2021 HK$
EQUITY		
Equity attributable to the owner of the Company		
Share capital	4,000,000,000	4,000,000,000
(Accumulated losses)/retained earnings	(227,081,566)	3,873,573
TOTAL EQUITY	3,772,918,434	4,003,873,573

The statement of financial position of the company was approved by the Board of Directors on 30 JUN 2023 and were signed on its behalf.
Director

Jiang Yueqin
Director

Xu Tao
Director

(b) STATEMENT OF CHANGES IN EQUITY

	Share capital HK$	Retained earnings/ (accumulated losses) HK$	Total HK$
Balance at 1 January 2021	2,000,000,000	(7,908,916)	1,992,091,084
Capital contributions during the year	2,000,000,000	-	2,000,000,000
Profit for the year	-	11,782,489	11,782,489
Balance at 31 December 2021 and 1 January 2022	4,000,000,000	3,873,573	4,003,873,573
Loss for the year	-	(230,955,139)	(230,955,139)
Balance at 31 December 2022	4,000,000,000	(227,081,566)	3,772,918,434

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 28 April 2023, the Group issued bonds with a par value of CNY$1,500,000,000 (equivalent to approximately HK$1,700,565,000) and CNY$1,500,000,000 (equivalent to approximately HK$1,700,565,000) with a coupon rate of 3.15% and 3.25%, and maturity date of 27 April 2025 and 27 April 2026 respectively.

33. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the board of directors on 30 JUN 2023

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