

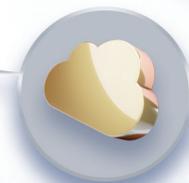
恒投证券

HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

Stock Code: 1476

2023 INTERIM REPORT



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Important Notice

The Board, Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that the contents of this report are true, accurate and complete without any false representation, misleading statement or material omission, and assume several and joint liability in respect thereof.

This report has been considered and approved at the thirteenth meeting of the fourth session of the Board and the thirteenth meeting of the fourth session of the Supervisory Committee where all the Directors and Supervisors were present, respectively. None of the Directors, Supervisors or senior management of the Company has declared that they could not guarantee or had any objection to the truthfulness, accuracy and completeness of this report.

The interim financial information for the six months ended 30 June 2023 is prepared by the Company in accordance with the International Financial Reporting Standards, and has been reviewed by Grant Thornton Hong Kong Limited in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. All amounts set out in this report are stated in RMB unless otherwise stated.

Mr. Zhu Yanhui (the Chairman of the Board) and Mr. Sun Hang (the chief financial officer) declared that they warrant the truthfulness, accuracy and completeness of the interim financial information contained in this report.

The forward-looking statements including future plans and development strategies set out in this report do not constitute the Company’s substantive commitment to investors. The investors are advised to pay attention to investment risks.

Section I Definitions

In this report, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

APP	application, which generally refers to mobile applications
Articles of Association	the articles of association of the Company, as amended from time to time
Baotou Huazi	Baotou Huazi Industry Co., Ltd. (包頭華資實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600191) and a substantial shareholder of the Company
Board	the board of directors of the Company
Company or Hengtou Securities	a company established as a limited liability company in the PRC on 28 December 1998 and converted into a joint stock company with limited liability under the PRC laws on 3 November 2008 under the corporate name “恒泰证券股份有限公司” (Hengtai Securities Co., Ltd), and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English) as approved by and registered with the Hong Kong Companies Registry on 27 April 2015, and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
CSRC	the China Securities Regulatory Commission (中國證券監督管理委員會)
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid-up in RMB
end of the Reporting Period	30 June 2023
Finance Street Capital	Beijing Financial Street Capital Operation Investment (Group) Co., Ltd. (北京金融街資本運營集團有限公司), formerly known as Beijing Finance Street Capital Management Centre (北京金融街資本運營中心), which holds 62.06% equity interest in Finance Street Investment and is a subsidiary of SASAC Xicheng District
Finance Street Investment	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District
Finance Street Xihuan Properties	Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), formerly known as Beijing Xihuan Properties Co., Ltd. (北京西環置業有限公司), a subsidiary of Finance Street Investment and a shareholder of the Company
FOF	Fund of Fund, a fund which is specially invested in other securities investment funds

Section I Definitions

GDP	gross domestic product
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Hong Kong Stock Exchange
Hangzhou Ruisi	Hangzhou Ruisi Industrial Co., Ltd. (杭州瑞思實業有限公司), which holds 98.67% equity interest in Shaanxi Tianchen
Hengtai Capital	Hengtai Capital Investment Co., Ltd. (恒泰資本投資有限責任公司), 100% equity interest of which is held by the Company
Hengtai Changcai	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
Hengtai Futures	Hengtai Futures Co., Ltd. (恒泰期貨股份有限公司), 95.10% and 4.90% equity interest of which are held by the Company and Hengtai Pioneer, respectively
Hengtai Pioneer	Hengtai Pioneer Investment Co., Ltd. (恒泰先鋒投資有限公司), 100% equity interest of which is held by the Company
HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hongzhi Huitong	Beijing Hongzhi Huitong Industrial Co., Ltd. (北京鴻智慧通實業有限公司), a shareholder of the Company
Huarong Infrastructure	Beijing Huarong Infrastructure Investment Co., Ltd. (北京華融基礎設施投資有限責任公司)
Huarong Zonghe Investment	Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司), formerly known as Beijing Huarong Zonghe Investment Company (北京華融綜合投資公司), a subsidiary of Finance Street Investment and a substantial shareholder of the Company
Huifa Technology	Zhejiang Free Trade Zone Huifa Technology Co., Ltd. (浙江自貿區匯發科技有限公司), formerly known as Tibet Dazi Huifa Technology Co., Ltd. (西藏達孜匯發科技有限公司) and Tibet Dazi Huifa Investment Co., Ltd. (西藏達孜匯發投資有限公司), a shareholder of the Company
IPO	Initial Public Offering

Section I Definitions

Listing	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange on 15 October 2015
Listing Date	15 October 2015
Listing Rules	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
margin financing and securities lending	a collateral-backed operating activity in which securities firms provide clients with monies to buy listed securities or with listed securities for sale
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NEEQ	National Equities Exchange and Quotations
New China Fund	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.62% equity interest of which is held by the Company
PRC or China	for the purpose of this report, the People's Republic of China (excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan)
Prospectus	the H Shares prospectus of the Company dated 30 September 2015
Reporting Period	the six months ended 30 June 2023
RMB	Renminbi, the lawful currency of China, the basic unit of which is Yuan
SASAC Xicheng District	The State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which holds 100% and 37.94% equity interest in each of Finance Street Capital and Finance Street Investment, respectively
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shaanxi Tianchen	Shaanxi Tianchen Technology Trading Co., Ltd. (陝西天宸科貿有限公司), which holds 97.67% equity interest in Hongzhi Huitong
stock pledged repurchase transaction	a transaction in which a qualified borrower pledges his shares or other securities held as collaterals to obtain financing funds from a qualified lender, and agrees to repay the funds on a future date to release the pledge
substantial shareholder(s)	has the meaning ascribed thereto under the Listing Rules
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company

Section I Definitions

Suzhou Bingtai	Suzhou Bingtai Trading Co., Ltd. (蘇州秉泰貿易有限公司), which holds 100% equity interest in Hangzhou Ruisi
this report	the 2023 interim report of the Company
Tianfeng Securities	Tianfeng Securities Co., Ltd. (天風證券股份有限公司), a substantial shareholder of the Company
Wind Info	Wind Info Co., Ltd. (上海萬得信息技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a service provider of financial data, information and software, being an independent third party of the Company

Section II Company Profile

I. NAME OF COMPANY

Chinese name: 恒泰证券股份有限公司, being the corporate name in the PRC (carrying on business in Hong Kong as “恒投證券”)

English name: HENGTAI SECURITIES CO., LTD., being English translation of the corporate name in the PRC (carrying on business in Hong Kong as “HENGTOU SECURITIES”)

II. BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Yanhui (*Chairman*)

Mr. Wu Yigang (*Vice Chairman*)

Non-executive Directors

Mr. Yu Lei

Mr. Wang Linjing

Ms. Yu Lei

Mr. Li Ye

Independent Non-executive Directors

Dr. Lam Sek Kong

Mr. Xie Deren

Mr. Dai Genyou

Special Committees of the Board

Strategy and Investment Committee

Mr. Zhu Yanhui (*Chairman of the Committee*)

Mr. Yu Lei

Dr. Lam Sek Kong

Risk Control and Supervisory Committee

Ms. Yu Lei (*Chairlady of the Committee*)

Mr. Wu Yigang

Mr. Dai Genyou

Audit Committee

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Wang Linjing

Dr. Lam Sek Kong

Remuneration and Nomination Committee

Mr. Xie Deren (*Chairman of the Committee*)

Mr. Zhu Yanhui

Dr. Lam Sek Kong

Section II Company Profile

III. SUPERVISORY COMMITTEE

Mr. Guo Liwen (*Chairman of the Supervisory Committee*)
Mr. Chen Feng
Mr. Wang Hui

IV. SECRETARY OF THE BOARD

Mr. Zhang Jingshun
Tel: +86 10 8327 0999
Fax: +86 10 8327 0998
Email: zhangjingshun@cnht.com.cn
Correspondence address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)

V. JOINT COMPANY SECRETARIES

Mr. Zhang Jingshun, Dr. Ngai Wai Fung

VI. AUTHORIZED REPRESENTATIVES

Mr. Zhu Yanhui, Dr. Ngai Wai Fung

VII. HEAD OFFICE IN CHINA

Registered address: Manshishangdu Office and Commercial Complex, Hailaer East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region, the PRC (post code : 010051)
Head office address: 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (post code: 100033)
Website: www.cnht.com.cn
Email: dongban@cnht.com.cn

VIII. PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong

IX. AUDITORS

International accounting firm: Grant Thornton Hong Kong Limited
Domestic accounting firm: Grant Thornton Certified Public Accountants

X. HONG KONG LEGAL ADVISOR

Morgan, Lewis & Bockius

XI. H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

XII. STOCK CODE (H SHARES)

01476

Section III Summary of Accounting Data and Financial Indexes

I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES

(Unaudited accounting data and financial indexes set out in this report are prepared in accordance with the International Financial Reporting Standards)

Item	1 January 2023 to 30 June 2023	1 January 2022 to 30 June 2022	Increase/ (decrease) from last period
Operating results (RMB'000)			
Total revenue and other income	1,448,468	1,356,497	6.78%
Profit/(loss) before tax	211,055	(493,175)	142.80%
Profit/(loss) for the period – attributable to ordinary shareholders of the Company	193,196	(355,462)	154.35%
Net cash generated from/(used in) operating activities	(722,239)	1,575,754	(145.83%)
Earnings per share (RMB/share)			
Basic earning/(loss) per share ¹	0.0742	(0.1365)	154.36%
Diluted earning/(loss) per share ¹	0.0742	(0.1365)	154.36%
Profitability index			
Weighted average rate of return on net assets (%) ²	2.38	(3.89)	Increased by 6.27 percentage points
Item	30 June 2023	31 December 2022	Increase/ (decrease) from the end of last year
Scale indicators (RMB'000)			
Total assets	31,634,697	31,021,248	1.98%
Total liabilities	23,263,212	22,835,492	1.87%
Accounts payable to brokerage clients	12,029,972	11,765,079	2.25%
Equity attributable to ordinary shareholders and holders of perpetual capital securities	8,216,575	7,997,126	2.74%
Total share capital ('000 shares)	2,604,567	2,604,567	0.00%
Net assets per share attributable to ordinary shareholders ³ (RMB/share)	3.15	3.07	2.61%
Gearing ratio (%) ⁴	57.30	57.49	Decreased by 0.19 percentage point

Section III Summary of Accounting Data and Financial Indexes

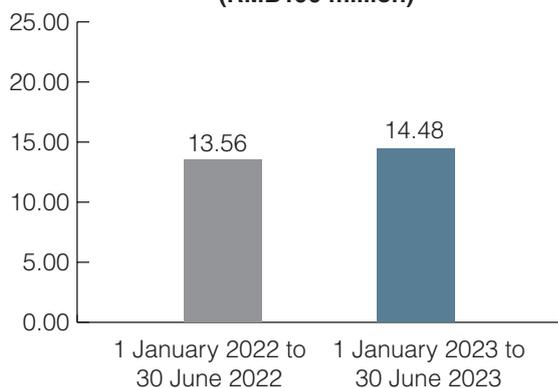
I. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEXES (CONTINUED)

Notes:

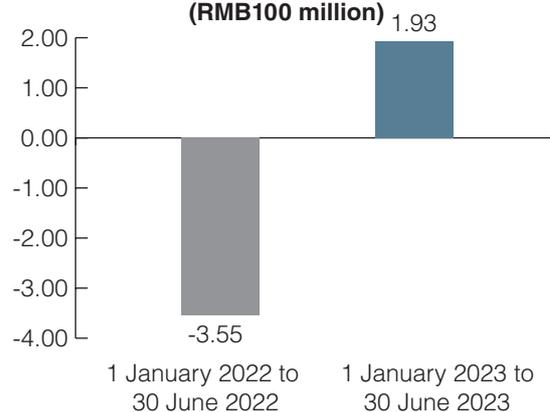
1. The index is calculated based on the assumption of deducting the dividends of the holders of cumulative perpetual capital securities.
2. Weighted average rate of return on net assets (%) = $P / (E_o + P \div 2 + E_i \times M_i \div M_o - E_j \times M_j \div M_o)$, in which P represents net profit attributable to ordinary shareholders of the Company during the Reporting Period; E_o represents net assets attributable to ordinary shareholders of the Company at the beginning of the period; E_i represents additional net assets from issuance of new shares or from debt to equity attributable to ordinary shareholders of the Company during the Reporting Period; E_j represents reduced net assets from repurchase or from cash dividend attributable to ordinary shareholders of the Company during the Reporting Period; M_o represents the number of months of the Reporting Period; M_i represents the accumulative number of months calculated from the month following the additional net assets to the end of the Reporting Period; M_j represents the accumulative number of months calculated from the month following the reduced net assets to the end of the Reporting Period.
3. Net assets per share attributable to ordinary shareholders = (equity attributable to ordinary shareholders and holders of perpetual capital securities – perpetual capital securities) \div total share capital.
4. Gearing ratio (%) = (total liabilities – account payables to brokerage clients) / (total assets – account payables to brokerage clients).

Section III Summary of Accounting Data and Financial Indexes

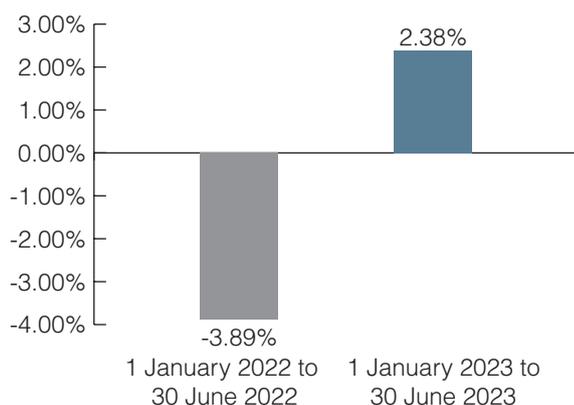
**Revenue and other income
(RMB100 million)**



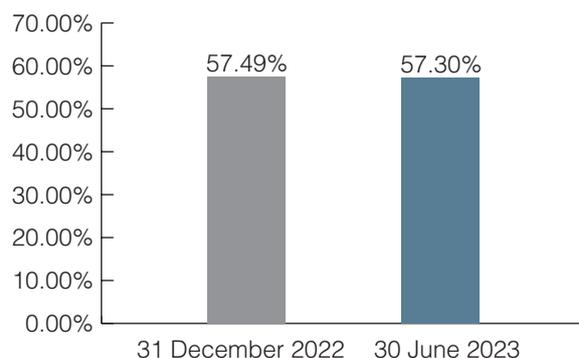
**Profit for the period – attributable to ordinary
shareholders of the Company
(RMB100 million)**



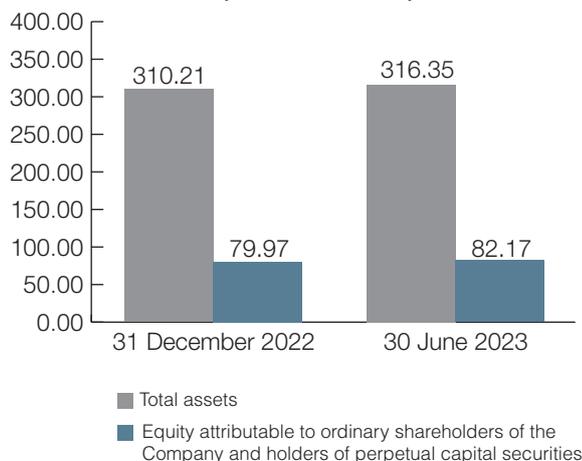
**Weighted average
return on net assets**



Gearing ratio



**Scale indicators
(RMB100 million)**



Section III Summary of Accounting Data and Financial Indexes

II. NET CAPITAL AND OTHER RISK CONTROL INDEXES OF THE COMPANY

As at 30 June 2023, the Company's net capital amounted to RMB5,574.28 million, representing an increase of RMB151.64 million as compared with RMB5,422.64 million as at the end of 2022. During the Reporting Period, the net capital and related risk control indexes of the Company met the regulatory requirements.

Unit: in RMB'000

Item	30 June 2023	31 December 2022	Regulatory standard
Net capital	5,574,284	5,422,638	N/A
Including: Net core capital	5,574,284	5,422,638	N/A
Net supplement capital	0	0	N/A
Net assets	8,013,551	7,928,463	N/A
Total risk capital provision	2,974,567	3,127,059	N/A
Total assets on and off statement of financial position	18,375,635	17,928,026	N/A
Risk coverage ratio	187.40%	173.41%	≥100%
Capital leverage ratio	30.34%	30.25%	≥8%
Liquidity coverage ratio	851.75%	708.90%	≥100%
Net stable funding ratio	167.15%	134.36%	≥100%
Net capital/net assets	69.56%	68.39%	≥20%
Net capital/liabilities	54.21%	55.29%	≥8%
Net assets/liabilities	77.93%	80.84%	≥10%
Proprietary equity securities and securities derivatives/net capital	16.36%	11.12%	≤100%
Proprietary non-equity securities and securities derivatives/net capital	124.03%	127.64%	≤500%

Section IV Management Discussion and Analysis

I. ECONOMIC AND MARKET ENVIRONMENT DURING THE REPORTING PERIOD

During the Reporting Period, in the face of the complicated and severe international environment and domestic reform, development and stability tasks, and local authorities and government departments across the country attentively implemented the decisions and plans of the CPC Central Committee and the State Council to uphold the underlying principle of pursuing progress while ensuring stability, thereby to implement new development philosophy in a comprehensive, complete and accurate manner, and forge a new landscape for development with the emphasis on promoting high quality development with a view to better orchestrate the big pictures both in and outside of China. Moreover, the upward overall economy operation is evidenced by the gradual recovery in market demands and further increase both in production and supply coupled with the generally stable employment and price which results a stable increase in household incomes. In the first half of 2023, GDP recorded a year-on-year increase of 5.50%, by industries, the primary industry, the secondary industry and the tertiary industry recorded a year-on-year increase of 3.70%, 4.30% and 6.40%, respectively. By quarters, the first quarter and the second quarter recorded a year-on-year increase of 4.50% and 6.30%, respectively. In the first half of 2023, the added value of industries above designated size increased by 3.80% year-on-year and the added-value of the service industry increased by 6.40% year-on-year. The total social retail sales of consumer goods recorded a year-on-year increase of 8.20%. China's fixed asset investment recorded a year-on-year increase of 3.80%. The nationwide consumer price index (CPI) represents a year-on-year increase of 0.70%. In the first half of 2023, the People's Bank of China lowered the reserve requirement ratio by 0.25 percentage point, which released a long-term liquidity and enhance the stability and sustainability regarding the total increase in credit loans, thus serving the real economy. By the end of June 2023, the Broad Money Supply (M2), the stock of social financing scale and various RMB loans increased 11.30%, 9.00% and 11.30%, respectively.

During the Reporting Period, China's securities market demonstrated a recovering trend albeit its overall oscillated trait with market sentiment getting warmer. In the first half of 2023, the Shanghai Stock Exchange Composite Index increased by 3.65%, the Shenzhen Stock Exchange Component Index increased by 0.10%, and the Growth Enterprise Index decreased by 5.61%, and the total trading volumes of stocks and funds on the Shanghai Stock Exchange and the Shenzhen Stock Exchange amounted to RMB124,699.206 billion, among which, the total trading volumes of stocks and funds on the Shanghai Stock Exchange amounted to RMB57,331.282 billion, representing a decrease of 1.96% as compared with that of the same period in 2022, and the total trading volumes of stocks and funds on the Shenzhen Stock Exchange amounted to RMB67,367.924 billion, representing an increase of 1.94% as compared with that of the same period in 2022. *(Sources: websites of National Bureau of Statistics, The People's Bank of China, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and Wind Info)*

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES

During the Reporting Period, the Group recorded revenue and other income of RMB1,448.47 million and net profit of RMB159.48 million, representing an increase of 6.78% and 142.68%, respectively, as compared with that of the same period of 2022.

(I) Brokerage and Wealth Management Business

During the Reporting Period, the revenue and other income from brokerage and wealth management business amounted to RMB785.01 million, representing a decrease of 11.97% as compared with that of the same period of 2022.

1. Securities Brokerage

During the Reporting Period, the Company adhered to the customer-centric values, continued to promote comprehensive operation and collaborative services, promoted the standardized business level by intensifying customer acquisition via multi channels. Meanwhile, the Company, by means of fin-tech with digitalization and intelligence empowerment, strengthened the technological finance and multi-channel construction and operation, and leveraged its comprehensive service system and professional capabilities to provide diversified securities brokerage services to various customers, thereby improving quality and depth of services for customer. In addition, we reinforced the effective linkage between investment consultants and customers in terms of client categories and service layers by going the extra mile on online investment and consultation business, which resulted a profound customer experience and service value, thus consolidating compliance and risk control management, and further enhancing the influence of our investment and consultation brand in the market.

During the Reporting Period, the number of new accounts opened reached 234,100, and total number of clients reached 3,718,500, representing an increase of 6.34% as compared with that at the end of 2022. The total assets under custody for clients reached RMB160,559.26 million, representing an increase of 3.17% as compared with that at the end of 2022. The turnover of stocks and funds reached RMB983,689.90 million, representing a decrease of 11.30% as compared with that of the same period of 2022, while the market share of stocks and funds was 0.3956%, representing a decrease of 11.17% as compared with that of the same period of 2022.

2. Futures Brokerage

During the Reporting Period, Hengtai Futures followed the compliance baseline in a stringent manner by further deepening core institutional businesses to achieve the upgrading of internet business models and fully cement the foundation of brokerage business. The launch of the Administrative Measures for the Supervision of Futures Companies (the Solicitation Draft) (《期貨公司監督管理辦法(徵求意見稿)》) had significant impact on the industry, requiring Hengtai Futures to organize clients' profiles, analyze the revenue creation against various types of clients, research and judge market trends in a scientific manner and clarify the directions of client development and maintenance to improve its revenue creation degree with resources. During the Reporting Period, there were 1,859 new clients.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(I) Brokerage and Wealth Management Business (Continued)

3. Wealth Management

During the Reporting Period, we optimized and adjusted the organizational structure of our brokerage business management with a view to better and more systematically provide wealth management services to our clients in multiple dimensions, deepen client companionship, professional investment and consultation business, and technological empowerment, so as to better adapt to the changes in market demand and client needs and enhance our strength, while adhering to our customer-centric service concepts. In addition, the Company has reshaped its customer service structure with digital finance, advisory services, financial products, institutional business and branch standardized management, so as to allocate resources in a more reasonable manner, improve efficiency and management level, thereby enhancing the quality of client service and providing clients with more accurate, effective and high-quality integrated services. Meanwhile, the Company also proactively went the extra mile to exploit new customers and vigorously developed institutional wealth management businesses and established a well-rounded wealth management structure system with professional services under broker settlement model and productized professional services, thus providing well-rounded wealth management service for various types of customers. During the Reporting Period, the Company sold 2,237 financial products and recorded sales of RMB5,938.68 million. As at the end of the Reporting Period, the existing size of its financial products was RMB16,162.84 million.

4. Capital-Based Intermediary

During the Reporting Period, based on a stringent control over margin financing and securities lending business risks, the Company further improved the credit business operation and management system by doing a good job in customer services to optimize customers' experience. As at the end of the Reporting Period, the balance of the margin financing and securities lending businesses amounted to RMB4,822.80 million, and the balance of stock pledged repurchase transaction amounted to RMB497.00 million.

5. Asset Custody

During the Reporting Period, the Company actively developed the custody of standardized products such as asset management plans and private securities investment funds, which added 1 new asset management plan and 17 new private securities investment funds for its custody. Due to the restructuring of the business development direction, the overall scale of asset custody business declined slightly. As at the end of the Reporting Period, the Company provided custody services for 868 funds, fund services for 261 funds and fund raising supervision services for 338 funds. The aggregate size of asset custody, fund services and fund raising supervision amounted to RMB126,846 million.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(II) Investment Banking Business

During the Reporting Period, the revenue and other income from investment banking business amounted to RMB95.85 million, representing a decrease of 10.06% as compared with that of the same period of 2022.

1. Equity Financing

During the Reporting Period, Hengtai Changcai, as the sponsor and lead underwriter, successfully completed 1 refinancing project with a underwriting amount of RMB1,500 million. With the market fully transitioning into the registration-based system era, Hengtai Changcai actively seized the opportunities in market development and continuously enhanced its core capabilities in research, value discovery, transaction design, and integration, aiming to build a full-service investment banking business chain. At the same time, Hengtai Changcai, by maintaining and consolidating its core customers, continually facilitated the transformation of investment banking business from a traditional project-based approach to a client-based approach, providing more refined financial services to customers and forming a stronger customer adhesion and a stable business scale in mergers and acquisitions, restructuring, IPO, and refinancing activities.

2. Debt Financing

During the Reporting Period, Hengtai Changcai completed 22 projects in which it served as lead underwriter and joint lead underwriter, with credit bond financing scale amounting to approximately RMB5,590 million. The number of underwriting projects and the scale of underwriting projects slightly decreased as compared with that of the same period of 2022. In the first half of 2023, Hengtai Changcai successfully completed issuance projects in provinces such as Jiangsu, Shandong, Anhui, Jilin and Sichuan. At the same time, Hengtai Changcai actively pursued distribution projects to achieve diversification in the income structure of debt-related businesses.

3. NEEQ Referral Business

During the Reporting Period, Hengtai Changcai adhered to market orientation and quality priority, vigorously strengthened the practice quality training, improved the mechanism of internal division of labor, mobilized the enthusiasm and motivation of the personnel, cultivated high-quality projects, and continued to provide comprehensive and high-quality services to small and medium sized enterprises in a sound manner. During the Reporting Period, Hengtai Changcai completed the application for 1 listing recommendation project, completed 7 targeted capital increase, mergers and acquisitions and restructuring and financial advisory projects, and continuously supervised 124 listed companies.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business

During the Reporting Period, the revenue and other income from investment management business amounted to RMB404.52 million, representing an increase of 64.61% as compared with that of the same period of 2022.

1. Assets Management

During the Reporting Period, the asset management business continued to enhance its investment and research capabilities, maintained a better performance ranking of collective asset management schemes for fixed income assets in the industry, further enriched its product lines, and prepared a new collective asset management scheme for fixed income assets. During the Reporting Period, the asset management business actively expanded agency channels by exploring project business models, and thus to seek breakthroughs in business growth. During the Reporting Period, the asset management business recruited and expanded the investment and research team, strengthened the construction of talent echelon, which laid a good foundation for business development in the second half of 2023.

As at the end of the Reporting Period, the total size of asset management business was RMB15,695.48 million, of which the size of collective asset management schemes amounted to RMB3,919.27 million, the size of targeted asset management schemes amounted to RMB1,079.57 million, the size of the asset-backed securities special schemes amounted to RMB10,696.64 million.

As at the end of the Reporting Period, the numbers of subsisting products of the collective, targeted asset management schemes and the asset-backed securities special schemes were 39, 11 and 7, respectively.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(III) Investment Management Business (Continued)

2. Fund Management

During the Reporting Period, New China Fund adhered to the direction of long-term performance as its core, intensified its compliance development by the manner of prioritizing customers' interests as its ultimate development goal, constantly improved the investment and research system, and met the needs of various customers for asset management, thus endeavoring in being a specialist in long-term value investment. According to the fund performance rate of Haitong Securities Fund as of 30 June 2023, the overall yield of New China Fund's equity funds ranked among the top one third in the industry in the past ten, seven, five and three years.

As at the end of the Reporting Period, there were a total of 48 public funds under New China Fund's management with amounts of RMB53,853 million, representing a year-on-year decrease of RMB32,985 million or 37.98%. According to the regulatory requirements, New China Fund continued to increase the rectification of the special historical account business, which effectively reduced the scale leverage and completed the rectification of the special historical account products. As at the end of the Reporting Period, the size of asset management with special accounts of New China Fund was RMB1,373 million, representing a year-on-year decrease of RMB2,481 million or 64.38%.

3. Private Equity Investment

During the Reporting Period, 1 existing private equity fund operated with stability managed by Hengtai Capital. As at the end of the Reporting Period, Hengtai Capital managed 1 existing private equity fund with a total size of RMB2,700 million. During the Reporting Period, Hengtai Capital proactively developed new projects, among which the preliminary plans for the industry empowerment investment fund and the industry synergy investment fund have been completed, and its subsequent progress in projects will be actively engaged.

4. Alternative Investment

During the Reporting Period, Hengtai Pioneer reorganized the Company's authorization and credit system, further optimised its systems and strengthened risk control through measures such as conducting institutional inspections and comprehensive risk self-inspection. Hengtai Pioneer continued to enhance post-investment management of projects by establishing project ledgers to monitor ongoing projects in real-time, track project progress in terms of business operations and financial management, promptly grasp the operating conditions of invested companies, and provided strong support for the subsequent management of projects. At the end of the Reporting Period, Hengtai Pioneer had directly invested in 21 projects.

Section IV Management Discussion and Analysis

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

(IV) Proprietary Trading Business

During the Reporting Period, the revenue and other income from the proprietary trading business amounted to RMB143.80 million, representing an increase of 59.60% as compared with that of the same period of 2022.

Along with the easing of the pandemic prevention and control since 2023, the continuous launching of policies regarding growth stability mirrored the upward kick-off of economy, which resulted unexpected revival. Entering into the second quarter of the year, the economic revival has been prolonged. Nevertheless, it experienced a sluggish month-on-month growth speed, with insufficient endogenous power becoming more prominent. China is in a pivotal period of economic recovery and industrial upgrading, which is not a linear recovery process and requires a balance between short-term steady growth and long-term high-quality development. In the first half of 2023, the global economic recovery is expected to be divided and cyclical, with higher market volatility. The major A-share index performed differently, with faster changes among the industries. In addition, the Company has strengthened the depth of its investment research work in terms of proprietary business by tapping into the potential varieties and optimizing the asset allocation.

In terms of stock investment business, the Company intensified its investment research efforts by enhancing the effective support of its research work to investment decisions, increasing forward-looking research efforts, to expand its global vision and commodity opportunities. On the premise of adhering to the investment system and investment discipline of the Company, we further optimized our operating strategy to keep close to the market, and continued to optimize our position structure in line with the movement of value and growth in order to grasp the opportunities of market rebound.

In terms of fixed income business, in the first quarter of 2023, as the bond market was affected by factors such as high credit data growth, impulse spending and improved expectations for the property market, interbank repurchase rates moved higher while volatility increased, with yields hovering at the high levels adjusted at the end of the preceding year. In the second quarter of 2023, the bond market continued to strengthen amidst the resonance of multiple factors, such as weakening of risky assets, the downward movement of the cost of funds hub, and the weakening of the medium- to long-term economic growth momentum, in particular, the interest rate cut by the People's Bank of China in June that was slightly higher than the market's forecast, which drove down the yields on long-dated treasury bonds even further. During the Reporting Period, the Company further enhanced its macroeconomic analysis by the manners of maintaining an effective position allocation strategy, intensifying operational efforts while adhering to the precondition of preventing credit risk, continuously optimizing the portfolio structure, increasing the equity-containing bond positions and exploring the investment opportunities in the curve of credit bonds, among other multi-strategy operations.

In terms of the share transfer market-making business, due to its underperformance regarding overall equity interest, the NEEQ market remained relatively bearish. In response to market changes, the Company has strengthened its research on stocks that meet the conditions for IPO on the Beijing Stock Exchange, and actively developed investment opportunities therein.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS

(I) Development Prospect of the Industry

Since 2023, the reform in the capital market has been deepening with the implementation of the comprehensive registration system, the deepening of the interconnectivity and interlink mechanism, the introduction of the personal pension system, the launch of the market making business on the Shanghai Stock Exchange STAR Market, and a series of capital market basic systems improvement and innovation initiatives being advanced. Under the dual promotion of market opportunities and regulatory environment, the securities industry has also ushered in a period of accelerating transition. The comprehensive registration system has been implemented, the significance of the value discovery ability and pricing ability of securities companies is becoming prominent, the space for the capitalisation development of investment bankings is expanse, and the underwriting business of investment bankings is facing a transition towards the direction of specialization, which has lifted the requirements for the industry research, value pricing, risk control and other professional capabilities and the requirements for the capital strength of securities companies, and under the comprehensive registration system, the trend of centralisation of the leading investment bankings may be strengthened. In recent years, the development of digitalisation has affected the entire securities industry, in aspects of the carrying out of business, risk control, compliance and regulation, resulting in the product of new types of services or products such as intelligent investment and advisory service, intelligent investment and research and finance cloud. Digitalisation transition and financial technology construction have become the driving force for the strategic development of the securities industry in the next stage, with the online services of the industry further strengthened and financial technology continuing to empower the securities industry. As China continues to pursue the “dual-carbon” target, the policies related to sustainable development in the regulation of the capital market are being gradually improved and the standards are becoming increasingly sound, the securities industry will put into practice the concept of Environmental, Social and Governance (ESG), and give full play to its role in serving the real economy through its investment banking business, asset management business and research business, thereby injecting financial momentum into the sustainable development process. The securities industry is playing an increasingly important role in the process of economic operation. The whole industry should be a good activator of the capital market and provide more convenient, extensive and comprehensive financial services to participants of securities market.

Section IV Management Discussion and Analysis

III. PROSPECTS AND FUTURE PLANS (CONTINUED)

(II) Development Plan of the Company

The Company will make efforts to improve the operation and management level, promote the integration of various businesses, so as to further realise the standardised, professional and efficient development of each business. The Company will fully optimise and improve the internal control and management system, strengthen the responsibilities of the Company's decision-making bodies, and effectively enhance the professionalism and efficiency of the performance of duties; continue to strengthen the construction of the compliance and risk control management system, and continue to promote the Company's legal, compliant and sound operation. The securities brokerage business will continue to adapt to market development and changes, proactively grasp the new trend of the continuous expansion of Fintech application scenarios and the accelerate penetration of digitalization, by empowering all links of the wealth management business value chain through Fintech application innovation. By relying on and professional management service model, we will realize the synergy, integration and sharing of internal and external resources, and optimize customer experience. We will strengthen the strategic positioning of investment advisory business; through professional and digital strategy research and development system, and based on a comprehensive platform operation, we provide customers with strategy portfolios that align with their risk and return requirements, meeting their diverse service needs on multiple levels. The investment banking business will continue to maintain existing customers and projects, while increasing the development of new customers and new projects, to constantly enrich project reserves. By strengthening collaboration with various departments of the company, we aim to leverage synergetic effects and create a comprehensive business service system for customers, from initial financing to IPO entering the capital market for fundraising in the later stage. We will continue to enhance team building and improve our professional competence to provide customers with more comprehensive and refined financial services, to enable the enterprise to achieve greater value. While efficiently fulfilling customer requirements, we showcase the brand building of the Company's team to customers. The asset management business will further enhance its investment and research capabilities and build an operational system centered around investment and research, patiently cultivate investment and research system, possess keen insights into product design, actively expand market layout, and strive to establish its own unique characteristics. The three major expenditures of "investment and research + product + market" will serve as the driving force for the development of the asset management business. In the future, the development of the asset management business will involve further collaboration with the Company's new retail business. Through various forms of cooperation such as offline collaboration and online communication, we will comprehensively introduce the asset management business to the internal retail business channels. We will focus on maintaining the performance of stock products and launching new products, and increase the asset under management, to create the excellent Hengtai asset management brand. In terms of proprietary business, the Company will increase its focus on forward-looking research, grasp economic cycles and recovery patterns. closely monitor market dynamics and make timely adjustments to investment strategies.

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS

(I) Analysis on Profitability during the Reporting Period

During the Reporting Period, the Group recorded revenue and other income of RMB1,448.47 million, representing an increase of 6.78% as compared to that of the same period in 2022; net profit attributable to the shareholders of the Company amounted to RMB193.20 million, representing an increase of 154.35% as compared to that of the same period in 2022; earnings per share amounted to RMB0.0742, representing an increase of 154.36% as compared to that of the same period in 2022; and the weighted average return on net assets was 2.38%, representing an increase of 6.27 percentage points as compared to that of the same period in 2022.

(II) Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB31,634.70 million, increased by 1.98% as compared to RMB31,021.25 million as at the end of 2022. Total liabilities amounted to RMB23,263.21 million, increased by 1.87% as compared to RMB22,835.49 million as at the end of 2022. Equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company amounted to RMB8,216.58 million, increased by 2.74% as compared with RMB7,997.13 million as at the end of 2022.

The Group's asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, the total assets of the Group comprised of: cash assets, which primarily included cash and cash equivalents (including cash held on behalf of brokerage clients), clearing settlement funds and refundable deposits, amounted to RMB15,205.31 million, representing 48.07% of the Group's total assets; margin assets, which primarily included margin accounts receivable, financial asset held under resale agreements and placements with a financial institution, amounted to RMB5,481.03 million, representing 17.33% of the Group's total assets; financial investment assets, amounted to RMB9,014.98 million, representing 28.50% of the Group's total assets; and property, equipment and other operating assets, which primarily included property and equipment, investment properties, intangible assets, rights-of-use assets, amounted to RMB1,933.38 million, representing 6.10% of the Group's total assets.

The Group's gearing ratio and financial leverage ratio remained relatively stable. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB11,233.24 million, representing an increase of RMB162.83 million or 1.47% as compared with that at the end of 2022. The gearing ratio of the Group was 57.30%, decreased by 0.19 percentage point from 57.49% as at the end of 2022 (Note: gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Financial leverage ratio was 2.39 folds, decreased by 0.83% from 2.41 folds as at the end of 2022 (Note: financial leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to ordinary shareholders and holders of perpetual capital securities of the Company).

Section IV Management Discussion and Analysis

IV. FINANCIAL STATEMENTS ANALYSIS (CONTINUED)

(III) Financing Channels and Financing Ability

During the Reporting Period, the Company met its operating capital requirement through debt financing. Debt financing of the Company included beneficiary certificates, margin and securities refinancing, subordinated bonds etc. During the Reporting Period, accumulated placements from China Securities Finance Corporation Limited amounted to RMB1,700 million, accumulated capital inflow from beneficiary certificates amounted to RMB950 million, and accumulated capital inflow from subordinated bonds amounted to RMB1,500 million. Meanwhile, the Company received comprehensive credit line with greater limit granted by several banks.

(IV) Liquidity Management

The Company pays attention to the liquidity management, and has established a specific department responsible for liquidity management. The Company's liquidity management focused on the organic combination of the security, liquidity and profitability of capital. As requested by the CSRC, the Company established sound management system and contingency measure for liquidity risk. The Company has prepared monthly liquidity monitor statement. The liquidity monitor index of the Company in each month throughout the Reporting Period complied with the regulatory requirements.

(V) Cash Flow

During the Reporting Period, net cash flow arising from operating activities amounted to RMB-722.24 million, decreased by RMB2,297.99 million from RMB1,575.75 million in the corresponding period of 2022; net cash flow arising from investment activities during the Reporting Period amounted to RMB390.91 million, increased by RMB1,089.19 million from RMB-698.28 million in the corresponding period of 2022; net cash flow arising from financing activities during the Reporting Period amounted to RMB956.10 million, increased by RMB1,530.02 million from RMB-573.92 million in the corresponding period of 2022. Cash and cash equivalents at the end of the Reporting Period amounted to RMB2,655.80 million, decreased by RMB157.33 million from RMB2,813.13 million in the corresponding period in 2022.

(VI) Changes in Significant Accounting Policies

During the Reporting Period, there is no material change in the significant accounting policies of the Company.

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES

(I) Branch Offices and Securities Branches

As at the end of the Reporting Period, the Company had 2 branch offices and 120 securities branches.

1. Establishment of securities branches and changes in securities branches

(1) Newly-established securities branches

None in the Reporting Period.

(2) Relocation of securities branches

During the Reporting Period, 5 securities branches of the Company were relocated, details of which are as follows:

No.	Name of securities branch before relocation	Name of securities branch after relocation	Address of securities branch after relocation (PRC)
1	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch ¹ (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Hengtai Securities Co., Ltd. Jilin Panshi Dongning Street Securities Branch ¹ (恒泰证券股份有限公司吉林磐石東寧街證券營業部)	Door 8, 1#- Hongda Garden, Dongning Street, Panshi, Jilin (吉林省磐石市東寧街紅大花園1#門市8)
2	Hengtai Securities Co., Ltd. Shanghai Zhayin Road Securities Branch (恒泰证券股份有限公司上海閘殷路證券營業部)	Hengtai Securities Co., Ltd. Shanghai Haiqi Road Securities Branch (恒泰证券股份有限公司上海海旗路證券營業部)	No. 1427, 1429, 1431, 1433, Haiqi Road, Fengxian District, Shanghai (上海市奉賢區海旗路1427、1429、1431、1433號)
3	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch ¹ (恒泰证券股份有限公司吉林通潭大路證券營業部)	Hengtai Securities Co., Ltd. Jilin Tongtan Avenue Securities Branch ¹ (恒泰证券股份有限公司吉林通潭大路證券營業部)	Rooms 2 & 3 & 4, building 5-1, Tongtan West Community, Changyi District, Jilin City, Jilin Province (吉林省吉林市昌邑區通潭西區5-1棟2、3、4號網點)
4	Hengtai Securities Co., Ltd. Shanghai Jiangning Road Securities Branch (恒泰证券股份有限公司上海江寧路證券營業部)	Hengtai Securities Co., Ltd. Shanghai Shaanxi North Road Securities Branch (恒泰证券股份有限公司上海陝西北路證券營業部)	Room 2402, 2403, 2405, 2406, No. 1438, Shaanxi North Road, Putuo District, Shanghai (上海市普陀區陝西北路1438號2402、2403、2405、2406室)
5	Hengtai Securities Co., Ltd. Tonghua Dongchang Road Securities Branch ¹ (恒泰证券股份有限公司通化東昌路證券營業部)	Hengtai Securities Co., Ltd. Tonghua Dongchang Road Securities Branch ¹ (恒泰证券股份有限公司通化東昌路證券營業部)	No. 667 Dongchang Road, Dongchang District, Tonghua, Jilin (吉林省通化市東昌區東昌路667號)

Note:

- Name of the securities branch remained unchanged after relocation.

Section IV Management Discussion and Analysis

V. BRANCHES AND SUBSIDIARIES (CONTINUED)

(I) Branch Offices and Securities Branches (Continued)

1. Establishment of securities branches and changes in securities branches (Continued)

(3) Deregistration of securities branches

None in the Reporting Period.

2. Establishment of new branch offices and changes in branch offices

None in the Reporting Period.

(II) Subsidiaries of the Company

During the Reporting Period, there was no change in the Company's major subsidiaries.

Section IV Management Discussion and Analysis

VI. MAJOR FINANCING

(I) Equity Financing

None in the Reporting Period.

(II) Major Debt Financing

1. Issuance of beneficiary certificates

The Company raised an aggregate of RMB950 million through issuance of beneficiary certificates during the Reporting Period. As at 30 June 2023, the outstanding balance of the beneficiary certificates amounted to RMB550 million. The particulars of the issuance of beneficiary certificates of the Company during the Reporting Period are set out below:

Name	Size of the issuance (RMB'00 million)	Interest rate	Term (days)	Issue date	Maturity date
Hengfu No. 34	0.50	4.00%	362	8 February 2023	5 February 2024
Hengchuangtaifu No. 43	1.00	4.20%	365	28 February 2023	28 February 2024
Hengchuangtaifu No. 44	4.00	3.58%	90	29 March 2023	27 June 2023
Hengchuangtaifu No. 45	4.00	3.58%	90	29 June 2023	27 September 2023

2. Issuance of subordinated bonds

During the Reporting Period, accumulated capital inflow from the issuance of subordinated bonds of the Company amounted to RMB1,500 million. As at 30 June 2023, the outstanding balance of the subordinated bonds amounted to RMB3,000 million. The particulars of the issuance of subordinated bonds of the Company during the Reporting Period are set out below:

Name	Size of the issuance (RMB'00 million)	Interest rate	Term (years)	Issue date	Maturity date
23 Hengtai C1	4.00	5.30%	3	8 June 2023	8 June 2026
23 Hengtai C2	11.00	4.00%	3	8 June 2023	8 June 2026

3. Issuance of corporate bonds

During the Reporting Period, the Company has not issued corporate bonds. As at 30 June 2023, the outstanding balance of the corporate bonds amounted to RMB1.950 billion.

Section IV Management Discussion and Analysis

VII. MAJOR INVESTMENT

None in the Reporting Period.

VIII. ACQUISITION OR DISPOSAL OF MATERIAL ASSETS, EXTERNAL GUARANTEE, MORTGAGE, PLEDGE AND MATERIAL CONTINGENT LIABILITIES

During the Reporting Period, there was no acquisition and disposal of the Company's material assets and business merger, nor any external guarantee, mortgage, pledge, material contingent liabilities that may affect the Company's financial position and operating results.

IX. RISK MANAGEMENT

(I) Major Risks and Countermeasures relating to Operation of the Company

1. Credit Risk

Credit risk is the possibility of loss caused by our counterparty's failure to perform a contract or a change in its credit rating or ability to perform. Credit risk of the Company is mainly generated from two aspects: (i) financing business such as margin financing and securities lending and securities backed lending; and (ii) proprietary credit bond investment business.

Credit risk from financing activities can be controlled by (i) determination of reasonable credit line which is managed through client suitability management, collateral management, margin translation, daily mark to market, risk reminders and forced liquidation of client's positions upon credit investigation via the internal credit rating system; and (ii) conducting sufficient due diligence on the financier and analysis on the fundamentals of pledge target prior to the implementation of securities pledged projects to reasonably determine key risk factors including pledge rate and performance guarantee proportion, and constantly follow up the utilization of funds to maintain risk monitoring over projects in performance to address problems once detected. Credit risks for investment business can be managed by establishing internal rating, blacklist and whitelist mechanism, public opinion monitoring, risk monitoring indicator limit and other measures.

Section IV Management Discussion and Analysis

IX. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

2. Market Risk

Market risk refers to risk of unexpected potential value losses of the financial assets held by the Company resulting from adverse changes in securities price, interest rate and exchange rate. In particular, risk of adverse price fluctuations refers to the risk that the stock market may fluctuate and cause the prices of stocks and other securities products to change, which may incur losses for the Company. Interest rate risk refers to the risk arising from changes in market interest rates and credit spread that could result in changes in the prices of bonds and other fixed-income securities. Exchange rate risk refers to possibility that the Company may incur losses due to changes in exchange rates during operating activities involving possession or use of foreign exchanges. Market risk of the Company mainly derives from proprietary businesses including equity securities investment, fixed income securities investment, financial derivatives investment and NEEQ market making business.

Market risk is mainly managed by the Company through implementation of limit management, securities pool system, daily mark to market, stress test, monitoring and warning, stop-loss, risk hedge, risk report and other systems and measures. Based on risk tolerance preferences, the Company sets the annual overall limits of market risk for proprietary businesses which are decomposed and assigned to the respective business departments level by level. The Company has established a market risk indicator system including Value at Risk (VaR), Dollar Value of All 01 (DV01) and Max Drawdown. The risk management department conducts a daily monitoring over the proprietary position risk and regularly carries out stress test to estimate the losses under extreme circumstances and timely make risk warning and urge relevant business department to handle it when the risk control indicator exceeds the warning threshold.

3. Liquidity Risk

Liquidity risk refers to risk where the Company fails to obtain sufficient funds in time at reasonable costs in order to repay mature debts, fulfill other payment obligations and satisfy the funding needs for carrying on normal business. The financial management department of the Company takes the lead in liquidity risk management. The Company constantly monitors Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and other liquidity risk control indicators and conducts semi-annual liquidity risk stress tests through which its liquidity risk level under the extreme circumstance is evaluated and the risk emergency plans are established. The Company has set threshold values for liquidity risk control indicators, and a risk warning will be sent to the relevant department of the Company once such threshold values are exceeded. The Company monitors and analyzes the matching of the Company's assets and liabilities from various time periods under both normal and stressed situations, the diversification and stability of the Company's capital resources, the capability of high-quality liquid assets and market liquidity and at the same time strengthens the management of the Company's liquidity during operating hours and makes reasonable arrangements for financing activities to maintain adequate intraday liquidity position.

Section IV Management Discussion and Analysis

IX. RISK MANAGEMENT (CONTINUED)

(I) Major Risks and Countermeasures relating to Operation of the Company (Continued)

4. Compliance Risk

Compliance risk refers to the risk that operating activities or staffs of securities companies may be subject to legal sanctions, regulatory measures and self-regulatory disciplinary punishments arising from the breach of laws, regulations or rules. The Company has established an effective and sound compliance management system and compliance management framework. In accordance with regulatory requirements, the compliance management department of the Company manages compliance risk through compliance review, compliance monitoring, compliance examination, compliance supervision and compliance training.

5. Operational Risk

Operational risk is possibility of losses caused by the failures of internal systems and procedures, improper employee behaviors, information system defect and the influence of external events. The Company has formulated operational risk management system and internal management system of various businesses and regulated its business activities. It has established an identification, assessment and control system for operational risk that fully covers the Company's business activities. The Company mainly manages operational risks through risk control self assessment (RCSA), loss data collection (LDC), key risk indicator (KRI) monitoring, and other measures.

6. Reputational Risk

Reputational risk refers to the risk to form negative opinions of investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media on the Company as a result of the business act or external events of the Company and the violation of integrity requirements, professional ethics, business norms, rules and regulations by its employees, thereby damaging the Company's brand value, posing detrimental impact to its normal operations and even affecting market stability and social stability. The Company's management, led by the chief risk officer, establishes a reputational risk management team, which is composed of the office of the board of directors, the risk management department, the president's office, the compliance management department and the human resources department. The Company has established a sound reputation risk management system and workflow, to provide guarantee for the improvement of the all-round risk management system, the enhancement of the reputation risk management capability and the maintenance and promotion of the reputation and image of the Company. The Company dynamically monitors the evolution and development of various reputational risk events through public sentiment monitoring system, organizes the information about the overall situation of the reputational risk events and the corresponding measures to be taken and reports the same to the Company in a timely manner. The reputational risk management team reviews and determines the final solution.

Section IV Management Discussion and Analysis

IX. RISK MANAGEMENT (CONTINUED)

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company

During the Reporting Period, the Company actively implemented various requirements of the Norms for the Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》), conducted routine risk management and various key projects based on the requirements of full coverage, detectability, measurability, analysis and risk-response ability on risk management and continuously improved the comprehensive risk management system.

1. Management System

In accordance with the Securities Law of the PRC (《中華人民共和國證券法》), the Regulations on the Supervision and Administration of Securities Companies (《證券公司監督管理條例》), the Norms for the Comprehensive Risk Management of Securities Companies (《證券公司全面風險管理規範》) and other laws, regulations and regulatory provisions, the Company has formulated the Measures for Comprehensive Risk Management of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司全面風險管理辦法》) and the Risk Management and Cultural Manual of Hengtai Securities Co., Ltd. (《恒泰證券股份有限公司風險管理文化手冊》), which sets overall requirements on the comprehensive risk management, and special management systems has been established for liquidity risks, market risks, credit risks, operation risks, reputation risks and other risks. In the first half of 2023, the Company formulated and issued the Detailed Rules for the Rules for Procedure on Compliance and Risk Management Professional Committee of Hengtai Securities Co., Ltd. (Trial) (《恒泰證券股份有限公司合規與風險管理專業委員會議事規則(試行)》); revised and issued the system such as the Management Regulations on Customer Abnormal Trading Behaviors (《客戶異常交易行為管理規定》).

2. Framework

The Company established a four-level risk management system including the Board, the management, the risk management department and business departments. It specified the responsibilities of the Board, the Supervisory Committee, the management, all departments, branches and subsidiaries in performing the comprehensive risk management and established a multi-layered and inter-connected operation mechanism with effective balances. Meanwhile, the Company has gradually incorporated all subsidiaries into the comprehensive risk management system and guided subsidiaries in establishing and improving the governance structure, setting risk preference and perfecting the risk monitoring, reporting and response mechanism. It specified the responsible person for the risk management of subsidiaries and the chief risk officer of the Company conducts appraisal on the responsible person.

Section IV Management Discussion and Analysis

IX. RISK MANAGEMENT (CONTINUED)

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

3. Information Technology

The Company has established a securities risk monitoring and management platform with the integration of dynamic risks monitoring on net capitals, market risk management, credit risk management, operation risk management, liquidity risk management, abnormal transaction monitoring and other functions on the basis of its business practice. It supports the collection, identification, measurement, appraisal, monitoring and reporting of various risk information and can meet the demands of the Company in risk management and decision-making.

4. Indicator System

The Company has established a risk preference indicator system with net capital and liquidity as the core covering market risks, credit risks, operation risks and concentration risks. The risk preference of the Company can cover all business line, including proprietary investment business, asset management business, securities brokerage business and investment banking business. Based on the development strategy, operation targets and financial conditions of the Company, it sets management and control quota on major risks, including but not limited to risk quota, business size, value at risk, sensitivity indicator, concentration, and stop-loss. It also regularly appraises the risk tolerance through stress test and other methods and guides resources allocation.

5. Talent Team

The risk management department of the Company has established four secondary department professional teams for market risk, credit risk, operation risk and comprehensive risks. The financial management department and the board office designate special persons to be responsible for the management of liquidity risks and reputation risks. Currently, risk management staff with over three years of relevant working experience account for over 2% of the total staff at the head office of the Company, which provided talent guarantees to effectively conducting the comprehensive risk management work. Each business department of the Company has set risk management positions as an integral part of the risk management system. They accept the business guidance of the risk management department and serve as the bridge link.

Section IV Management Discussion and Analysis

IX. RISK MANAGEMENT (CONTINUED)

(II) Construction of Risk Management System and Comprehensive Risk Management Implementation of the Company (Continued)

6. Response Mechanism

The Company established a working mechanism on net assets trend monitoring, risk authorization, regular risk reporting and regular stress test to identify significant potential risks in the business process in a timely manner and actively take prevention and response measures. The Company also has risk emergency preplans on significant risks and emergencies, specified the emergency triggering conditions, the organizational system, measures, methods and procedures in risk disposal and continuously improved them through emergency exercises. The Company has established a performance appraisal and accountability mechanism linked to risk management results. It regularly appraises the risk management performance of all business departments and branches and the appraisal results are included in the performance appraisal system. Meanwhile, the audit department regularly appraises the comprehensive risk management system to guarantee the effectiveness of the comprehensive risk management.

Section V Other Material Particulars

I. PROFIT DISTRIBUTION AND PROFIT DISTRIBUTION PLAN

(I) Implementation of the 2022 Profit Distribution Plan

The Company held the 2022 annual general meeting on 16 May 2023 to consider and approve the resolution in relation to the 2022 Profit Distribution Plan, pursuant to which, the Company did not conduct profit distribution for the year ended 31 December 2022.

(II) The 2023 Interim Profit Distribution Plan

The Company did not have any profit distribution plan for the first half of 2023.

II. SHARE OPTION SCHEME OR EQUITY INCENTIVE SCHEME

During the Reporting Period, the Company did not adopt nor implement any share option scheme or equity incentive scheme.

III. SIGNIFICANT LAWSUITS

(I) Significant Lawsuits and Arbitrations Newly Increased during the Reporting Period

None.

(II) Subsequent Progress of the Significant Lawsuits and Arbitrations in the Previous Years

1. **The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company**

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2018 annual report, 2019 annual report, 2020 annual report, 2021 annual report and 2022 annual report of the Company.

(1) *The lawsuits filed by the preferential holder of the Special Scheme against the Company*

On 15 June 2022, China Resources SZITIC Trust Co., Ltd., as the preferential holder of Qinghui Leasing asset-backed special scheme Phase I, filed a lawsuit against the Company, claiming compensation of RMB30 million as the subscription principal, loss of revenue, and relevant expenses. On 17 January 2023, the People's Court of Xicheng District, Beijing issued a judgment, ruling that the Company shall compensate China Resources SZITIC Trust Co., Ltd. with the subscription principal of RMB30 million and loss of revenue. The Company has lodged an appeal to the Beijing Financial Court on 31 January 2023. On 6 July 2023, the Company received the second-instance judgment from the Beijing Financial Court in respect of the case, which rejected the appeal and upheld the original judgment.

III. SIGNIFICANT LAWSUITS (CONTINUED)

(II) Subsequent Progress of the Significant Lawsuits and Arbitrations in the Previous Years (Continued)

1. The dispute with regard to the Qinghui Leasing asset-backed special scheme Phase I under the management of the Company (Continued)

(2) *The lawsuits filed by the Company against Hongyuan Petrochemical and Qinghui Leasing*

On 7 January 2016, the Company established the Qinghui Leasing asset-backed special scheme Phase I (the “Project”, “Special Scheme”) and acted as the manager thereof. The underlying assets are the rental claim and other rights as well as their auxiliary guarantee rights under a single lease contract. The Project would have been due on 4 November 2018 as originally planned. In December 2017, the Company learned that Xianyang Hongyuan Petrochemical Co., Ltd. (咸陽鴻元石油化工有限公司) (“Hongyuan Petrochemical”), the single lessee of the Special Scheme, ceased to be a going concern and had been taken to legal proceedings for debt collection by a number of financial institutions. As Hongyuan Petrochemical faces risks and cannot pay the rental with the sufficient amount, it triggered the events on the early termination of the special scheme. In order to safeguard the legitimate interests of the preferential holder of the Project, on 15 January 2018, the Company instituted a proceeding to the People’s High Court of Beijing against Qinghui Leasing Co., Ltd. (慶匯租賃有限公司) (“Qinghui Leasing”), being the equity originators of the Special Scheme and Hongyuan Petrochemical, claiming for an aggregate of RMB530 million. The People’s High Court of Beijing registered the case on 22 January 2018. On 17 November 2021, due to that the case was involved in a criminal case, the People’s High Court of Beijing made a ruling to suspend the trial of the case. In December 2021, the Shaanxi Higher People’s Court made a final judgment on the criminal case involved. On 11 August 2022, the Company agreed to the application of Qinghui Leasing for the addition of King & Wood Mallesons, China Chengxin Information Technology Co., LTD (中誠信證評資料科技有限公司) and BDO China Shu Lun Pan CPAs as defendants, while applying to the People’s High Court of Beijing for a change in the claim to order each of the defendants to jointly and severally bear the losses incurred with the Company as well as the litigation costs. On 14 July 2023, the People’s High Court of Beijing dismissed the action initiated by the Company. The Company lodged an appeal to the People’s High Court of Beijing on 25 July 2023.

2. The dispute with regard to the lending between the Company and GMK Finance Co., Ltd. and relevant guarantors

For details of the case, please refer to II. Significant Lawsuits and Arbitrations in Section 7 Other Material Particulars of the 2022 annual report of the Company.

On 19 June 2023, the Company received the first-instance judgement from the Hohhot Intermediate People’s Court in respect of the GMK case, which supported the claims made by the Company, including the request GMK Finance Co., Ltd. for repayment of the principal and interest of the borrowings.

Section V Other Material Particulars

IV. SIGNIFICANT CONTRACTS AND CONTRACT FULFILLMENT

The Company entered into a property lease contract with China Life Real Estate Co., Limited on 1 March 2016, pursuant to which the Company leased from China Life Real Estate Co., Limited the space of the 11/F, China Life Centre, Financial Street, Xicheng District, Beijing, China for a term of 3 years commencing from 1 March 2016. The property lease contract was renewed on 1 March 2019 for a term of 3 years commencing from 1 March 2019. The property lease contract was re-signed on 1 March 2022 for a term of 2 years commencing from 1 March 2022. The rental paid by the Company for the Reporting Period was approximately RMB13,868,200.

V. ENGAGEMENT OF AUDITORS

During the Reporting Period, the Company re-appointed Grant Thornton Certified Public Accountants as its domestic auditor for the year 2023 for providing relevant audit service and review service based on China Accounting Standards for Business Enterprises. The Company also re-appointed Grant Thornton Hong Kong Limited as its international auditor for the year 2023 for providing relevant audit and review services based on the International Financial Reporting Standards.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company exerts its effort in maintaining high quality corporate governance in order to protect the interest of its shareholders and enhance its corporate value and accountability. The Company strictly complied with the Corporate Governance Code and all applicable provisions under the Corporate Governance Code except for the deviation from code provision B.2.2 of the Corporate Governance Code that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, and code provision C.2.1 of the Corporate Governance Code that the roles of chairman and chief executive should be separate and should not be performed by the same individual, and satisfied substantially all of the recommended best practices under Part 2 the Corporate Governance Code during the Reporting Period.

According to code provision B.2.2 of the Corporate Governance Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. One executive Director, Mr. Wu Yigang, and one independent non-executive Director, Dr. Lam Sek Kong, have not retired after their terms of office of three years ended (i.e., 21 December 2020) due to the postponement of election of new session of the Board. The postponement of the election process of the new session of the Board will not affect the normal operation of the Company. The Company will proactively complete the election process of the new session of the Board as soon as practicable. For details, please refer to the announcements of the Company dated 21 July 2023 and 21 August 2023.

VI. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (CONTINUED)

Mr. Zhu Yanhui acted as the president of the Company from 12 December 2022 until the Board appoints a new president of the Company. The Board believes that vesting the roles of the chairman and president (acting) in the same individual (that is, Mr. Zhu Yanhui) will not impair the balance of power and authority between the Board and the management of the Company. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which is comprised of experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Zhu Yanhui), four non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Mr. Zhu Yanhui and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interest of the Company and make decisions for the Company accordingly. This structure would also enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans.

VII. CORPORATE GOVERNANCE

(I) General Meeting

The Articles of Association and the Rules of Procedure for General Meetings of the Company have stipulated the rights and obligations of shareholders and the convocation, voting and proposal of general meetings. During the Reporting Period, the Company convened 2 general meetings.

(II) Operation of the Board and its Special Committees

The Board comprises 9 Directors, including 2 executive Directors (Mr. Zhu Yanhui (*Chairman*), Mr. Wu Yigang (*Vice Chairman*)), 4 non-executive Directors (Mr. Yu Lei, Mr. Wang Linjing, Ms. Yu Lei, Mr. Li Ye) and 3 independent non-executive Directors (Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou).

The Board consists of 4 special committees, including Strategy and Investment Committee, Risk Control and Supervisory Committee, Audit Committee and Remuneration and Nomination Committee. The special committees of the Board shall, within their terms of reference specified in the rules of respective procedures, conduct work and be accountable to the Board.

Composition of the current special committees of the Board:

Strategy and Investment Committee:	Mr. Zhu Yanhui (<i>Chairman of the Committee, executive Director</i>), Mr. Yu Lei (<i>non-executive Director</i>), Dr. Lam Sek Kong (<i>independent non-executive Director</i>)
Risk Control and Supervisory Committee:	Ms. Yu Lei (<i>Chairlady of the Committee, non-executive Director</i>), Mr. Wu Yigang (<i>executive Director</i>), Mr. Dai Gengyou (<i>independent non-executive Director</i>)
Audit Committee:	Mr. Xie Deren (<i>Chairman of the Committee, independent non-executive Director</i>), Mr. Wang Linjing (<i>non-executive Director</i>), Dr. Lam Sek Kong (<i>independent non-executive Director</i>)
Remuneration and Nomination Committee:	Mr. Xie Deren (<i>Chairman of the Committee, independent non-executive Director</i>), Mr. Zhu Yanhui (<i>executive Director</i>), Dr. Lam Sek Kong (<i>independent non-executive Director</i>)

Section V Other Material Particulars

VII. CORPORATE GOVERNANCE (CONTINUED)

(II) Operation of the Board and its Special Committees (Continued)

During the Reporting Period, the Board convened 10 meetings to consider 36 proposals; the Risk Control and Supervisory Committee convened 2 meetings, the Audit Committee convened 5 meetings, and the Remuneration and Nomination Committee convened 2 meetings.

The Audit Committee has reviewed and confirmed this report.

(III) Operation of the Supervisory Committee

Supervisory Committee currently consists of 3 Supervisors, namely, Mr. Guo Liwen, the chairman of the Supervisory Committee, Mr. Chen Feng, the shareholder representative Supervisor, and Mr. Wang Hui, the employee representative Supervisor. During the Reporting Period, the Supervisory Committee convened 3 meetings to consider 9 proposals. The Supervisors performed their duties diligently and supervised the operation of the Company in accordance with relevant laws and regulations and the relevant requirements of the Articles of Association, so as to protect the legitimate interests of the Company, shareholders and investors.

VIII. COMPLIANCE WITH MODEL CODE

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiry of all Directors and Supervisors, and all Directors and Supervisors confirmed that they had complied with the required standards set out in the Model Code during the Reporting Period.

IX. DIRECTOR AND SUPERVISOR SERVICE CONTRACT

No Directors or Supervisors entered into any service contract with the Company or its subsidiaries which shall be compensated (except for statutory compensation) upon termination within one year.

X. DIRECTORS' AND SUPERVISORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, no Directors, Supervisors of the Company or their respective spouse or children under the age of 18 purchased the shares or debentures of the Company to obtain rights, or such persons exercised any such right; or no arrangements have been made by the Company or any of its subsidiaries to entitle such right to the Company's Directors, Supervisors or their respective spouse or children under the age of 18 in any other body corporate.

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, to the knowledge of the Directors after having made reasonable enquiries, the following persons (excluding the Directors, Supervisors or chief executives of the Company) had interests or short positions in shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Names of substantial shareholders	Class of shares	Nature of interest	Number of shares held (shares)	Approximate percentage of total number of issued shares of the Company ¹ (%)	Approximate percentage of the Company's total issued Domestic Shares/H Shares ¹ (%)	Long positions/short positions/shares available for lending
Huarong Zonghe Investment ^{2, 5}	Domestic Shares	Beneficial owner	569,895,304	21.8806	26.4610	Long positions
Finance Street Xihuan Properties ³	Domestic Shares	Beneficial owner	211,472,315	8.1193	9.8189	Long positions
Finance Street Investment ^{2, 3, 4, 5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Finance Street Capital ^{2, 3, 4, 5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
SASAC Xicheng District ^{2, 3, 4, 5}	Domestic Shares	Interests of controlled corporation	781,367,619	29.9999	36.2799	Long positions
Tianfeng Securities ⁵	Domestic Shares	Beneficial owner	440,618,114	16.9171	20.4585	Long positions
Baotou Huazi	Domestic Shares	Beneficial owner	308,000,000	11.8254	14.3008	Long positions
Huifa Technology ⁶	Domestic Shares	Beneficial owner	154,000,000	5.9127	7.1504	Long positions
Ms. Chen Shan ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Mr. Shen Weimin ⁶	Domestic Shares	Interests of controlled corporation	154,000,000	5.9127	7.1504	Long positions
Hongzhi Huitong ⁷	Domestic Shares	Beneficial owner	123,500,000	4.7417	5.7343	Long positions
Shaanxi Tianchen ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Hangzhou Ruisi ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Suzhou Bingtai ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Mr. Zhou Zhiqiang ⁷	Domestic Shares	Interests of controlled corporation	123,500,000	4.7417	5.7343	Long positions
Guotai Fund Management Co., Ltd. (國泰基金管理有限公司)	H Shares	Investment manager	72,161,000	2.7706	16.0057	Long positions

Notes :

- As at 30 June 2023, there was a total of 2,604,567,412 shares of the Company in issue, comprising 2,153,721,412 Domestic Shares and 450,846,000 H Shares.

Section VI Changes in Shareholdings and Particulars about Shareholders

I. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

2. On 21 October 2022, pursuant to the Official Reply Concerning the Gratuitous Transfer of State-Owned Equity Interest in Finance Street Group (Xi Guo Zi Fu [2022] No. 27) (《關於金融街集團無償劃轉國有股權的批覆》(西國資覆[2022]27號)) from SASAC Xicheng District, Finance Street Investment and Huarong Infrastructure signed the Share Transfer Agreement with Huarong Zonghe Investment respectively. Pursuant to which, Finance Street Investment and Huarong Infrastructure would transfer a total of 320,498,043 Domestic Shares of the Company directly held by them, representing approximately 12.3052% of the total number of issued shares of the Company and approximately 14.8811% of the total number of issued Domestic Shares of the Company, to Huarong Zonghe Investment, at nil consideration. Huarong Zonghe Investment is wholly-owned by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in the 569,895,304 Domestic Shares held by Huarong Zonghe Investment. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 7 February 2023 and 20 February 2023.
3. 90.00% of the equity interest in Finance Street Xihuan Properties is held by Finance Street Investment. Therefore, Finance Street Investment is deemed to be interested in the 211,472,315 Domestic Shares held by Finance Street Xihuan Properties.
4. 62.06% and 37.94% of the equity interest in Finance Street Investment is held by Finance Street Capital and SASAC Xicheng District, respectively, and 100% of the equity interest of Finance Street Capital is held by SASAC Xicheng District. Therefore, each of Finance Street Capital and SASAC Xicheng District is deemed to be interested in the 781,367,619 Domestic Shares held indirectly by Finance Street Investment.
5. On 30 September 2022, Tianfeng Securities (the "Vendor"), as the vendor, had entered into a share transfer agreement with Huarong Zonghe Investment (the "Purchaser"), being a wholly-owned subsidiary of Finance Street Investment, as the Purchaser. Pursuant to which, the Vendor has conditionally agreed to dispose of, and the Purchaser has conditionally agreed to purchase, 249,397,261 Domestic Shares of the Company, representing approximately 9.5754% of the total number of issued shares of the Company and approximately 11.5798% of the total number of issued Domestic Shares of the Company. Upon completion of the Share Transfer, Tianfeng Securities still held 440,618,114 Domestic Shares of the Company, representing approximately 16.9171% of the total number of issued shares of the Company and approximately 20.4585% of the total number of issued Domestic Shares of the Company. The transfer procedures of the above shares were completed on 17 February 2023. For details, please refer to the Company's announcements dated 30 September 2022, 7 February 2023 and 20 February 2023.
6. 53.33% and 46.67% of the equity interest in Huifa Technology is held by Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍), respectively. Therefore, each of Mr. Shen Weimin (沈為民) and Ms. Chen Shan (陳姍) is deemed to be interested in the 154,000,000 Domestic Shares held by Huifa Technology.
7. 97.67% of the equity interest in Hongzhi Huitong is held by Shaanxi Tianchen. 98.67% of the equity interest in Shaanxi Tianchen is held by Hangzhou Ruisi. 100% of the equity interest in Hangzhou Ruisi is held by Suzhou Bingtai. 81.82% of the equity interest in Suzhou Bingtai is held by Mr. Zhou Zhiqiang (周志強). Therefore, each of Shaanxi Tianchen, Hangzhou Ruisi, Suzhou Bingtai and Mr. Zhou Zhiqiang (周志強) is deemed to be interested in the 123,500,000 Domestic Shares held by Hongzhi Huitong.

Save as disclosed above, as at 30 June 2023, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having any interest or short position in the shares or underlying shares of the Company which will be required to be recorded in the register under Section 336 of the SFO.

Section VI Changes in Shareholdings and Particulars about Shareholders

II. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, based on the information acquired by the Company and to the knowledge of the Directors, the Directors, Supervisors and chief executives of the Company have no (i) interests and short positions (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with Sections 7 and 8 of Part XV under the SFO, or (ii) interests or short positions which shall be recorded in the interests register in accordance with section 352 of the SFO, or (iii) interest and short positions which shall be notified to the Company and the Hong Kong Stock Exchange in accordance with the requirements of the Model Code in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO).

III. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Section VII Directors, Supervisors, Senior Management and Employees

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save for the followings, there was no change in details of Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51B of the Listing Rules as compared with those disclosed in the 2022 annual report:

(I) Changes in Directors

None in the Reporting Period.

(II) Changes in Supervisors

None in the Reporting Period.

(III) Changes in Senior Management

1. On 27 May 2023, the resolution on Mr. Sun Jiafeng's Resignation as the Chief Information Officer of the Company was considered and approved at the sixty-seventh extraordinary meeting of the fourth session of the Board. Due to personal reason, Mr. Sun Jiafeng resigned as the chief information officer of the Company, with the effect from 27 May 2023.
2. On 27 May 2023, the resolution on the Appointment of Mr. Zhao Peiwu to Concurrently Serve as the Chief Information Officer of the Company was considered and approved at the sixty-seventh extraordinary meeting of the fourth session of the Board. It was agreed that Mr. Zhao Peiwu, a vice president of the Company, would concurrently serve as the chief information officer of the Company from 27 May 2023.

(IV) Change in Directors' and Supervisors' information

Mr. Wu Yigang, an executive Director, has ceased to serve as a director of Baotou Huazi Industry Co., Ltd., effective from May 2023.

Section VII Directors, Supervisors, Senior Management and Employees

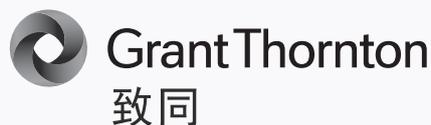
II. EMPLOYEES, REMUNERATION POLICY AND TRAINING

As at the end of the Reporting Period, the Group had 2,733 employees in total, including 2,269 employees of the Company and 464 employees of its subsidiaries.

The Company was committed to establishing a remuneration management system that integrated incentives and constraints, and integrated fairness and efficiency, aiming to implement the principle of prudent operation, ensure compliance with bottom line requirements, promote the formation of positive incentives and enhance the long-term value of the Company. By establishing and improving a sound remuneration system, the Company consolidated the governance foundation, risk control foundation, compliance foundation, cultural foundation and talent base for high-quality development. The Company has built a diversified remuneration structure consisting of fixed remuneration, variable remuneration and benefits, continuously improved the income distribution system, and given full play to the incentivization effect of remuneration and the talent filtration role. The Company has made contributions to various social insurance and housing provident funds on behalf of employees in accordance with relevant laws and regulations of the PRC. The Company has strictly observed the Labor Law of the PRC, Labor Contract Law of the PRC, the PRC Social Insurance Law and other applicable laws and regulations, and has established a sound human resources management system and process to bring its hiring under regulation, thus effectively protecting the rights and interests of the employees.

The Company has always paid special attention to staff training. The Company made investigations and surveys in respect of training needs for the ordinary staff, middle management and senior management of the Company through interviews and questionnaires at the beginning of the year and compiled the 2023 annual training plan in accordance with the results of training, investigations and surveys. It also focused on promoting the empowered both on and offline communications for Company's staffs at various level by further enhancing training empowerment of branches to ensure efficient and high quality training work; training assessment was strengthened and training satisfaction was made one of the annual assessment indicators of the human resources department. During the Reporting Period, a total of 28 training sessions on various businesses, compliance risk management, integrity practice and system publicity and implementation trainings were organized and conducted, among which, 13 offline and 15 online training sessions were organized and conducted, respectively; daily online trainings for employees with a total of 42 online courses were conducted through the Company's online learning platform, and 27 external online training sessions on industry were organized and participated. At the same time, through the "Free Learning (暢學)" service of the Securities Association of China, sufficient learning resources were provided for all staff.

Independent Review Report



To the Board of Directors of Hengtou Securities

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

INTRODUCTION

We have reviewed the interim financial information of Hengtou Securities (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 46 to 94, which comprises the condensed consolidated statement of financial position as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

25 August 2023

Chiu Wing Ning

Practising Certificate No.: P04920

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Fees and commission income	3	715,888	870,643
Interest income	4	394,823	425,840
Net investment income	5	86,546	24,087
Other income and gains	6	251,211	35,927
Total operating income		1,448,468	1,356,497
Fees and commission expenses	7	(93,549)	(113,072)
Interest expenses	8	(210,186)	(248,951)
Staff costs	9	(501,842)	(511,821)
Depreciation and amortisation	10	(111,563)	(110,275)
Taxes and surcharges		(6,588)	(7,449)
Other operating expenses	11	(279,454)	(436,593)
Impairment losses, net	12	(34,231)	(1,666)
Unrealised fair value losses from financial assets at fair value through profit or loss, net		–	(419,845)
Total operating expenses		(1,237,413)	(1,849,672)
Profit/(Loss) before tax		211,055	(493,175)
Income tax (expenses)/credit	13	(51,579)	119,478
Profit/(Loss) for the period		159,476	(373,697)
Other comprehensive income/(expense):			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Debt investments at fair value through other comprehensive income			
– Net change in fair value		35,004	(32,631)
– Income tax impact		(8,751)	8,157
Other comprehensive income/(expense) for the period, net of tax		26,253	(24,474)
Total comprehensive income/(expense) for the period		185,729	(398,171)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023

		Six months ended 30 June	
<i>Note</i>	2023	2022	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Profit/(Loss) for the period attributable to:			
Ordinary shareholders of the Company	193,196	(355,462)	
Non-controlling interests	(33,720)	(18,235)	
	159,476	(373,697)	
Total comprehensive income/(expense) for the period attributable to:			
Ordinary shareholders of the Company	219,449	(379,936)	
Non-controlling interests	(33,720)	(18,235)	
	185,729	(398,171)	
Earnings/(Loss) per share			
Basic and diluted	RMB0.0742	RMB(0.1365)	

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Note	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Non-current assets			
Property and equipment	15	310,225	332,899
Right-of-use assets	16	141,982	177,559
Investment properties		36,037	37,113
Goodwill		43,739	43,739
Intangible assets		138,875	160,797
Refundable deposits		918,178	1,020,347
Debt investments measured at amortised cost		219,471	219,409
Deferred tax assets		721,237	780,074
Other non-current assets	17	89,189	83,988
Total non-current assets		2,618,933	2,855,925
Current assets			
Margin account receivables	18	4,777,323	4,620,093
Other current assets	19	452,097	481,041
Placements with a financial institution	30	150,000	150,000
Financial assets held under resale agreements	20	553,714	818,165
Financial assets at fair value through other comprehensive income	21	2,462,164	2,391,087
Financial assets at fair value through profit or loss	22	6,333,345	6,153,411
Cash held on behalf of brokerage clients	23	11,397,243	11,097,111
Clearing settlement funds		800,246	656,015
Cash and bank balances	24	2,089,632	1,798,400
Total current assets		29,015,764	28,165,323
Total assets		31,634,697	31,021,248

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Current liabilities			
Debt instruments	25	3,996,003	4,428,265
Placements from a financial institution		1,100,000	1,000,000
Account payables to brokerage clients	26	12,029,972	11,765,079
Employee benefit payables		391,031	351,404
Contract liabilities		94	363
Lease liabilities		78,426	91,560
Other current liabilities	27	1,162,949	1,429,737
Current tax liabilities		6,643	10,043
Financial assets sold under repurchase agreements	28	2,972,290	3,669,260
Total current liabilities		21,737,408	22,745,711
Net current assets		7,278,356	5,419,612
Total assets less current liabilities		9,897,289	8,275,537
Non-current liabilities			
Debt instruments	25	1,462,476	–
Lease liabilities		63,310	89,759
Deferred tax liabilities		18	22
Total non-current liabilities		1,525,804	89,781
Net assets		8,371,485	8,185,756

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
Equity			
Share capital	29	2,604,567	2,604,567
Share premium		1,665,236	1,665,236
Reserves		3,946,772	3,727,323
Total equity attributable to ordinary shareholders of the Company		8,216,575	7,997,126
Non-controlling interests		154,910	188,630
Total equity		8,371,485	8,185,756

Approved by the Board of Directors on 25 August 2023 and are signed on its behalf by:

Zhu Yanhui

Chairman of Board of Directors

Wu Yigang

Vice Chairman of Board of Directors

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to ordinary shareholders of the Company									
	Share capital	Share premium	Surplus reserve	General risk reserve	Transaction risk reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (audited)	2,604,567	1,665,236	641,189	995,724	758,324	(42,783)	1,374,869	7,997,126	188,630	8,185,756
Profit for the period	-	-	-	-	-	-	193,196	193,196	(33,720)	159,476
Other comprehensive income for the period	-	-	-	-	-	26,253	-	26,253	-	26,253
Total comprehensive income for the period	-	-	-	-	-	26,253	193,196	219,449	(33,720)	185,729
Appropriation to general risk reserve	-	-	-	9,639	-	-	(9,639)	-	-	-
As at 30 June 2023 (unaudited)	2,604,567	1,665,236	641,189	1,005,363	758,324	(16,530)	1,558,426	8,216,575	154,910	8,371,485
As at 1 January 2022 (audited)	2,604,567	1,665,236	641,189	969,030	757,079	(7,341)	2,689,180	9,318,940	404,720	9,723,660
Loss for the period	-	-	-	-	-	-	(355,462)	(355,462)	(18,235)	(373,697)
Other comprehensive expense for the period	-	-	-	-	-	(24,474)	-	(24,474)	-	(24,474)
Total comprehensive expense for the period	-	-	-	-	-	(24,474)	(355,462)	(379,936)	(18,235)	(398,171)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(842)	(842)
Appropriation to general risk reserve	-	-	-	12,091	-	-	(12,091)	-	-	-
As at 30 June 2022 (unaudited)	2,604,567	1,665,236	641,189	981,121	757,079	(31,815)	2,321,627	8,939,004	385,643	9,324,647

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Net cash (used in)/from operating activities		(722,239)	1,575,754
Cash flows from investing activities			
Proceeds from disposal of property and equipment		627	72
Purchases of property and equipment, intangible assets and other non-current assets		(24,174)	(45,995)
Purchases of financial assets at fair value through other comprehensive income		(35,540)	(844,856)
Decrease in time deposits with original maturities exceeding three months		450,000	192,500
Net cash generated from/(used in) investing activities		390,913	(698,279)
Cash flows from financing activities			
Proceeds from issuance of debt instruments		2,450,000	1,400,000
Repayments of debt instruments		(1,396,000)	(1,850,000)
Interest paid for financing activities		(46,936)	(73,662)
Dividends paid to non-controlling interests		–	(842)
Payment of lease liabilities		(50,967)	(49,411)
Net cash generated from/(used in) financing activities		956,097	(573,915)
Net increase in cash and cash equivalents		624,771	303,560
Cash and cash equivalents at beginning of period		2,029,953	2,508,196
Effect of foreign exchange rate changes		1,078	1,373
Cash and cash equivalents at end of period	24	2,655,802	2,813,129

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

These condensed consolidated financial statements (the “Interim Financial Information”) of the Company’s and its subsidiaries (together, referred to as the “Group”) for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. The accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with those used in the annual financial statements for the year ended 31 December 2022 except as stated below.

The Interim Financial Information are presented in thousands of Renminbi (“RMB’000”), unless otherwise stated.

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

2.1 New and amended IFRSs that are effective for annual periods beginning on 1 January 2023

In the current period, the Group has applied for the first time the following new and amended IFRSs issued by the International Accounting Standards Board (the “IASB”), which are relevant to the Group’s operations and effective for the Group’s Interim Financial Information for the annual period beginning on 1 January 2023.

IFRS 17	Insurance Contracts and related amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of these newly effective new and amended IFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

2.2 Issued but not yet effective IFRSs

At the date of authorisation of the Interim Financial Information, certain amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendment to IAS 7 and IFRS 7	Supplier Finance Arrangement ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to IAS 1	Non-current Liabilities with Covenants ²

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Amended IFRSs are not expected to have a material impact on the Group's Interim Financial Information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. FEES AND COMMISSION INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Fees and commission income arising from:		
– Securities brokerage business	419,804	496,462
– Assets management business	148,317	190,700
– Underwriting and sponsoring business	69,829	76,218
– Financial advisory business	19,179	22,707
– Future brokerage business	34,140	58,010
– Investment advisory business	13,188	13,376
– Custody business	11,431	13,170
Revenue from contracts with customers within the scope of IFRS 15	715,888	870,643

The following table shows revenue disaggregation by timing of revenue recognition:

	Securities and futures brokerage businesses RMB'000 (unaudited)	Assets management, financial and investment advisory businesses RMB'000 (unaudited)	Underwriting and sponsoring business RMB'000 (unaudited)	Custody business RMB'000 (unaudited)	Total RMB'000 (unaudited)
For the six months ended 30 June 2023					
– Over time	–	180,684	–	11,431	192,115
– Point in time	453,944	–	69,829	–	523,773
For the six months ended 30 June 2022					
– Over time	–	226,783	–	13,170	239,953
– Point in time	554,472	–	76,218	–	630,690

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. INTEREST INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income arising from:		
– Margin financing	171,267	177,915
– Deposits in financial institutions	156,382	164,364
– Financial assets held under resale agreements	9,454	19,202
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	52,363	47,023
– Debt investments measured at amortised cost	5,357	8,315
– Placements with a financial institution	–	9,021
	394,823	425,840

5. NET INVESTMENT INCOME

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	83,991	131,958
Net realised gains/(losses) from disposal of financial assets at FVTPL, FVTOCI and debt investments	2,555	(107,871)
	86,546	24,087

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Foreign exchange gain, net	1,078	1,374
Rental income	2,002	1,771
Government grants (<i>Note</i>)	3,687	5,076
Gain on disposal of property and equipment	584	48
Unrealised fair value gain from financial assets at FVTPL, net	232,334	27,595
Others	11,526	63
	251,211	35,927

Note: Government grants were received from several local government authorities for supporting the Group's operation, of which the entitlement was unconditional.

7. FEES AND COMMISSION EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Expenses arising from:		
– Securities brokerage business	90,349	111,874
– Underwriting and sponsoring business	3,200	1,198
	93,549	113,072

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. INTEREST EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expenses arising from:		
– Account payables to brokerage clients	15,475	20,923
– Placements from a financial institution	17,170	14,766
– Financial assets sold under repurchase agreements	40,339	57,533
– Finance charges on lease liabilities	4,017	4,925
– Debt instruments	123,259	144,905
– Other investors of consolidated asset management schemes	9,926	5,768
– Others	–	131
	210,186	248,951

9. STAFF COSTS

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Short-term benefits	452,599	467,794
Severance payment	4,096	6
Defined contribution plan (<i>Note</i>)	45,147	44,021
	501,842	511,821

Note: The Group is required to participate in pension schemes in the People's Republic of China ("PRC") whereby the Group is required to pay contributions for its employees at certain rates of the wages of employees. The Group has no other material obligations for payment of retirement benefits to its employees beyond the contributions described above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. DEPRECIATION AND AMORTISATION

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Depreciation of:		
– property and equipment	27,355	28,466
– investment properties	1,076	1,076
– right-of-use assets	46,961	45,623
Amortisation of:		
– intangible assets	28,267	27,124
– leasehold improvements, long-term prepaid expenses and other foreclosed assets	7,904	7,986
	111,563	110,275

11. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Business entertainment expenses	7,170	10,978
Business travel expenses	8,211	5,775
Consulting fees	27,210	75,216
Donations	–	1,201
Electronic equipment operating expenses	25,865	28,781
Miscellaneous office expenses	574	7,089
Other commission expenses	35,828	46,319
Outsourcing fee	18,984	31,805
Postal and communication expenses	6,308	10,506
Compensation expenses on litigations (Note 32)	94,508	148,965
Lease charges for short-term leases	7,502	8,568
Securities investor protection funds	5,234	12,081
Utilities and building management fees	9,128	8,734
Others (Note)	32,932	40,575
	279,454	436,593

Note: Others mainly consist of marketing expenses, membership fee and other daily operating expenses

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. IMPAIRMENT LOSSES, NET

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Impairment losses/(Reversal of impairment losses) on:		
– margin financing	3,344	2,720
– financial assets held under resale agreements	20,847	(18,381)
– financial assets at FVTOCI	(533)	5,115
– debt investments measured at amortised cost	(62)	26
– other current assets	10,635	12,186
	34,231	1,666

13. INCOME TAX EXPENSES/(CREDIT)

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax	1,497	13,223
Deferred tax	50,082	(132,701)
Total income tax expenses/(credit)	51,579	(119,478)

The provision for the PRC enterprise income tax is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2022: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Earnings/(Loss)		
Profit/(loss) for the period attributable to ordinary shareholders of the Company	<u>193,196</u>	<u>(355,462)</u>
Number of shares		
Weighted average number of ordinary shares used in basic earnings/(loss) per share calculation (<i>in thousands</i>)	<u><u>2,604,567</u></u>	<u><u>2,604,567</u></u>

For the six months ended 30 June 2023 and 2022, there were no dilutive potential ordinary shares, hence the diluted earnings/(loss) per share equals to the basic earnings/(loss) per share.

15. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property and equipment of approximately RMB4,724,000 (six months ended 30 June 2022: RMB15,675,000).

16. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into 8 (six months ended 30 June 2022: 12) new lease agreements in respect of properties for initial periods ranging from two to three years (six months ended 30 June 2022: one to five years). These leases do not contain any option to renew the lease and subject to monthly fixed rental payment. For the six months ended 30 June 2023, the total additions to right-of-use assets amounted to RMB20,684,000 (six months ended 30 June 2022: RMB62,644,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. OTHER NON-CURRENT ASSETS

	30 June 2023 <i>RMB'000</i> (unaudited)	31 December 2022 <i>RMB'000</i> (audited)
Leasehold improvements, long-term prepaid expenses and other foreclosed assets (<i>Note</i>)	43,071	50,306
Prepayments	46,118	33,682
	89,189	83,988

Note:

The movements of leasehold improvements, long-term prepaid expenses and other foreclosed assets are as below:

	30 June 2023 <i>RMB'000</i> (unaudited)	31 December 2022 <i>RMB'000</i> (audited)
At beginning of the period/year	50,306	61,837
Transfer	–	2,205
Additions	669	1,852
Amortisation	(7,904)	(15,588)
At end of the period/year	43,071	50,306

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

18. MARGIN ACCOUNT RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Individual receivables	4,789,331	4,636,136
Institution receivables	33,472	26,093
Less: Accumulated impairment losses	<u>(45,480)</u>	<u>(42,136)</u>
	<u>4,777,323</u>	<u>4,620,093</u>

The fair value of collaterals for margin financing business is analysed as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Equity securities	13,753,373	12,916,184
Cash	<u>611,000</u>	<u>680,957</u>
	<u>14,364,373</u>	<u>13,597,141</u>

As at 30 June 2023, the margin account receivables carried interests at 5.5% to 8.6% (31 December 2022 (audited): 6.3% to 8.6%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

19. OTHER CURRENT ASSETS

	<i>Notes</i>	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Accounts receivable	(a)	119,673	123,675
Interest receivables	(b)	241,333	258,881
Prepaid expenses		15,673	22,363
Income tax recoverable		6,720	15,835
Other receivables	(c)	68,698	60,287
		452,097	481,041

Notes:

(a) Accounts receivable

The ageing analysis of accounts receivable, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within one year	206,209	183,816
Over one year	140,377	167,434
Less: Accumulated impairment losses	(226,913)	(227,575)
	119,673	123,675

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

19. OTHER CURRENT ASSETS (CONTINUED)

Notes: (Continued)

(b) Interest receivables

Interest receivables arising from:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Financial assets at FVTOCI	57,978	56,889
Financial assets at FVTPL	110,029	131,469
Margin financing	92,886	88,358
Bank deposits	11,764	6,343
Financial assets held under resale agreements	98,306	91,239
Placements with a financial institution	4,309	7,225
Less: Accumulated impairment losses	(133,939)	(122,642)
	241,333	258,881

(c) Other receivables

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Other receivables	182,185	173,774
Less: Accumulated impairment losses	(113,487)	(113,487)
	68,698	60,287

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

20. FINANCIAL ASSETS HELD UNDER RE SALE AGREEMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Analysis by collateral type:		
– Equity securities	497,003	497,003
– Debt securities	402,129	645,733
Less: Accumulated impairment losses	(345,418)	(324,571)
	553,714	818,165
Analysis by market:		
– Shenzhen Stock Exchange	772,133	816,119
– Shanghai Stock Exchange	126,999	326,617
Less: Accumulated impairment losses	(345,418)	(324,571)
	553,714	818,165

As at 30 June 2023, the fair values of the collaterals were amounted to RMB682,416,000 (31 December 2022 (audited): RMB992,225,000).

As at 30 June 2023, the financial assets held under resale agreements carried interests at 4.1% to 8.0% (31 December 2022 (audited): 3.5% to 8.0%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Analysis by collateral type:		
Debt securities	2,238,217	2,180,481
Equity securities	223,947	210,606
	<u>2,462,164</u>	<u>2,391,087</u>
Analysis into:		
Listed outside Hong Kong	766,830	686,572
Unlisted	1,695,334	1,704,515
	<u>2,462,164</u>	<u>2,391,087</u>
Accumulated impairment losses	<u>99,711</u>	<u>100,244</u>

Financial assets at FVTOCI comprise debt securities which are not held for trading. As at 30 June 2023, the financial assets at FVTOCI carried interest at 3.1% to 7.5% (31 December 2022 (audited): 2.8% to 7.5%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Held for trading:		
Debt securities	3,109,235	4,190,438
Equity securities	1,630,409	919,182
Investment funds	1,367,201	818,993
Assets management schemes	130,048	129,204
Collective trust schemes	96,452	95,594
	6,333,345	6,153,411
Analysis into:		
Listed in Hong Kong	5	8
Listed outside Hong Kong	4,244,567	3,254,933
Unlisted	2,088,773	2,898,470
	6,333,345	6,153,411

23. CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated deposit accounts with banks and authorised institutions to hold clients' monies arising from its normal course of business. The Group classified the brokerage clients' monies as cash held on behalf of brokerage clients under the current assets section of the condensed consolidated statement of financial position, and recognised the corresponding account payables to the respective brokerage clients on the grounds that the Group is liable for any loss or misappropriation of their brokerage clients' monies. Cash held on behalf of brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions in accordance with China Securities Regulatory Commission regulations.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

24. CASH AND CASH EQUIVALENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Cash in hand	3	80
Bank balances	2,089,629	1,798,320
Cash and bank balances per the condensed consolidated statement of financial position	2,089,632	1,798,400
Add: Clearing settlement funds	800,246	656,015
Add: Financial assets held under resale agreements with original maturities within three months	402,129	645,733
Less: Time deposits with original maturities exceeding three months	(250,000)	(700,000)
Less: Restricted bank deposits	(386,205)	(370,195)
Cash and cash equivalents per the condensed consolidated statement of cash flows	2,655,802	2,029,953

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Beneficiary certificates	550,000	1,000,000
Subordinated bonds	2,961,684	1,493,597
Long-term corporate bonds	<u>1,946,795</u>	<u>1,934,668</u>
	<u>5,458,479</u>	<u>4,428,265</u>
Analysis by remaining maturity:		
Current		
Within one year	3,996,003	4,428,265
Non-current		
Between one year and two years	<u>1,462,476</u>	–
	<u>5,458,479</u>	<u>4,428,265</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates:

Name	30 June 2023 (unaudited)								
	Par value								Book value as at 30 June 2023
	Par value RMB'000	Issuance date	Due date	Interest rate	As at	Increase RMB'000	Decrease RMB'000	As at	
					1 January 2023 RMB'000			30 June 2023 RMB'000	
恒創泰富No. 34	100,000	18.01.2022	18.01.2023	4.75%	100,000	-	(100,000)	-	-
恒創泰富No. 37	500,000	21.06.2022	19.06.2023	4.40%	500,000	-	(500,000)	-	-
恒創泰富No. 41	200,000	16.12.2022	16.03.2023	3.58%	200,000	-	(200,000)	-	-
恒創泰富No. 42	200,000	20.12.2022	20.03.2023	3.58%	200,000	-	(200,000)	-	-
恒富No. 34	50,000	08.02.2023	05.02.2024	4.00%	-	50,000	-	50,000	50,000
恒創泰富No. 43	100,000	28.02.2023	28.02.2024	4.20%	-	100,000	-	100,000	100,000
恒創泰富No. 44	400,000	29.03.2023	27.06.2023	3.58%	-	400,000	(400,000)	-	-
恒創泰富No. 45	400,000	29.06.2023	27.09.2023	3.58%	-	400,000	-	400,000	400,000
					<u>1,000,000</u>	<u>950,000</u>	<u>(1,400,000)</u>	<u>550,000</u>	<u>550,000</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS (CONTINUED)

Beneficiary certificates: (Continued)

Name	Par value RMB'000	Issuance date	Due date	Interest rate	31 December 2022 (audited)				
					Par value			Book value	
					As at 1 January 2022	Increase	Decrease	As at 31 December 2022	as at 31 December 2022
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
恒創泰富No.29	300,000	19.03.2021	18.03.2022	4.35%	300,000	-	(300,000)	-	-
恒富No.31	100,000	14.04.2021	13.04.2022	4.20%	100,000	-	(100,000)	-	-
恒創泰富No.30	600,000	30.04.2021	29.04.2022	4.65%	600,000	-	(600,000)	-	-
恒創泰富No.31	400,000	18.05.2021	17.05.2022	4.65%	400,000	-	(400,000)	-	-
恒創泰富No.32	200,000	09.11.2021	09.11.2022	4.65%	200,000	-	(200,000)	-	-
恒創泰富No.33	400,000	30.11.2021	22.11.2022	4.60%	400,000	-	(400,000)	-	-
恒富No.32	50,000	01.12.2021	01.06.2022	4.40%	50,000	-	(50,000)	-	-
恒富No.33	80,000	29.12.2021	29.12.2022	4.50%	80,000	-	(80,000)	-	-
恒創泰富No.34	100,000	18.01.2022	18.01.2023	4.75%	-	100,000	-	100,000	100,000
恒創泰富No.35	200,000	11.03.2022	09.06.2022	3.58%	-	200,000	(200,000)	-	-
恒創泰富No.36	200,000	11.03.2022	08.06.2022	3.58%	-	200,000	(200,000)	-	-
恒創泰富No.37	500,000	21.06.2022	19.06.2023	4.40%	-	500,000	-	500,000	500,000
恒創泰富No.39	400,000	14.06.2022	12.09.2022	3.58%	-	400,000	(400,000)	-	-
恒創泰富No.40	400,000	16.09.2022	09.12.2022	3.58%	-	400,000	(400,000)	-	-
恒創泰富No.41	200,000	16.12.2022	16.03.2023	3.58%	-	200,000	-	200,000	200,000
恒創泰富No.42	200,000	20.12.2022	20.03.2023	3.58%	-	200,000	-	200,000	200,000
					<u>2,130,000</u>	<u>2,200,000</u>	<u>(3,330,000)</u>	<u>1,000,000</u>	<u>1,000,000</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS (CONTINUED)

Subordinated bonds:

Name	Issuance date	Due date	Nominal interest rate	30 June 2023 (unaudited)			
				As at 1 January 2023	Increase	Decrease	As at 30 June 2023
				RMB'000	RMB'000	RMB'000	RMB'000
20恒泰C1次級債**	28.09.2020	28.09.2023	5.80%	1,495,999	4,000	-	1,499,999
23恒泰C1次級債***	08.06.2023	08.06.2026	5.30%	-	400,000	-	400,000
23恒泰C2次級債***	08.06.2023	08.06.2026	4.00%	-	1,100,000	-	1,100,000
Total				1,495,999	1,504,000	-	2,999,999
Amortised cost				1,493,597			2,961,684

Name	Issuance date	Due date	Nominal interest rate	31 December 2022 (audited)			
				As at 1 January 2022	Increase	Decrease	As at 31 December 2022
				RMB'000	RMB'000	RMB'000	RMB'000
恒泰证券股份有限公司2017次級債*	01.11.2017	01.11.2022	5.90%	100,000	-	(100,000)	-
20恒泰C1次級債**	28.09.2020	28.09.2023	5.80%	1,483,000	12,999	-	1,495,999
Total				1,583,000	12,999	(100,000)	1,495,999
Amortised cost				1,577,487			1,493,597

* with early redemption option on 1 November 2020.

** On 28 September 2020, the Company issued a 3-year subordinated bond with a par value of RMB1,500,000,000. The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond with par value of RMB17,000,000 were issued to the Group's consolidated asset management scheme and accordingly, the par value of the Group's subordinated bonds issued to external parties was amounted to RMB1,483,000,000. During the six-month period ended June 30, 2023, the Group's consolidated asset management scheme sold subordinated bonds with a par value of RMB4,000,000 to a third party.

*** On 8 June 2023, the Company issued a 3-year subordinated bond with a par value of RMB1,500,000,000. The subordinated bond was listed at Shanghai Stock Exchange. The subordinated bond was divided into 2 classes. 23恒泰C1次級債 was unsecured and with par value of RMB400,000,000 and 23恒泰C2次級債 was guaranteed and with par value of RMB1,100,000,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

25. DEBT INSTRUMENTS (CONTINUED)

Long-term corporate bonds:

Name	Issuance date	Due date	Nominal interest rate	30 June 2023 (unaudited)			
				As at 1 January 2023	Increase	Decrease	As at 30 June 2023
				RMB'000	RMB'000	RMB'000	RMB'000
20恒泰G1公司债(175144) [#]	18.09.2020	18.09.2023	4.39%	944,932	-	-	944,932
20恒泰F1私募债(167957) [#]	27.10.2020	27.10.2023	5.40%	1,000,000	-	-	1,000,000
Total				1,944,932			1,944,932
Amortised cost				1,934,668			1,946,795

Name	Issuance date	Due date	Nominal interest rate	31 December 2022 (audited)			
				As at 1 January 2022	Increase	Decrease	As at 31 December 2022
				RMB'000	RMB'000	RMB'000	RMB'000
20恒泰G1公司债(175144) [#]	18.09.2020	18.09.2023	4.39%	944,932	-	-	944,932
20恒泰F1私募债(167957) [#]	27.10.2020	27.10.2023	5.40%	1,000,000	-	-	1,000,000
Total				1,944,932			1,944,932
Amortised cost				1,920,996			1,934,668

[#] The long-term corporate bonds were listed at Shanghai Stock Exchange.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

26. ACCOUNT PAYABLES TO BROKERAGE CLIENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Clients' deposits for:		
– margin financing business	628,949	687,340
– other brokerage business	11,401,023	11,077,739
	12,029,972	11,765,079

Account payables to brokerage clients represent the monies received from and repayable to brokerage clients. Account payables to brokerage clients are interest bearing at the prevailing interest rate.

The majority of the account payables balances are repayable on demand except where certain account payables to brokerage clients represent monies received from clients for the margin financing activities under normal course of business. Only the amounts in excess of the required amount of margin deposits and cash collateral are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER CURRENT LIABILITIES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Third-party interests in consolidated asset management schemes (Note a)	196,126	494,350
Future risk reserve	43,347	41,639
Other payables (Note b)	221,677	151,318
Interest payables	151,155	68,066
Taxes and surcharges payables	11,250	11,981
Provision of compensation	539,394	662,383
	1,162,949	1,429,737

Notes:

- a) Third-party interests in consolidated asset management schemes consist of third-party unit holders' interests in these consolidated structured entities which are recognised as a liability since they can be put back to the Group for cash.
- b) Other payables mainly consist of accrued professional fees, securities investor protection funds and other daily operating expenses and deposits received.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

28. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Analysis by collateral type:		
Debt securities	2,972,290	3,669,260
Analysis by market:		
Inter-bank market	2,242,110	2,840,590
Shanghai Stock Exchange	630,180	728,670
Shenzhen Stock Exchange	100,000	100,000
	2,972,290	3,669,260
Analysis by transaction type:		
Pledged	2,972,290	3,669,260

As at 30 June 2023, the financial assets sold under repurchase agreements carried interests at 2.3% to 5.4% (31 December 2022 (audited): 3.4% to 8.0% per annum).

As at 30 June 2023 and 31 December 2022, the carrying amount of the financial assets that had been placed as financial assets sold under repurchase agreements are noted as below:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Financial assets at FVTPL	1,641,156	2,453,976
Financial assets at FVTOCI	1,952,933	1,800,082
	3,594,089	4,254,058

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

29. SHARE CAPITAL

All shares issued by the Company are fully paid ordinary shares. The par value per share is RMB1. The Company's number of shares issued and their nominal value are as follows:

	Number of shares (in thousands)	RMB'000
As at 1 January 2022, 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	<u>2,604,567</u>	<u>2,604,567</u>

30. PLACEMENTS WITH A FINANCIAL INSTITUTION

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
A non-bank financial institution		
Cost	375,000	375,000
Less: Accumulated impairment losses	<u>(225,000)</u>	<u>(225,000)</u>
	<u>150,000</u>	<u>150,000</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

30. PLACEMENTS WITH A FINANCIAL INSTITUTION (CONTINUED)

During the year ended 31 December 2022, the Company placed RMB375,000,000 placements to GMK Finance Company Limited (“GMK Finance”) through the National Interbank Funding Centre. Amount of RMB150,000,000 was due on 30 March 2022 and amount of RMB225,000,000 was due on 31 March 2023. On 28 March 2022, the Company and the certain shareholders and related companies of GMK Finance entered into a debt-creditor relationship confirmation and extension agreement in agreement to extend the placements to 22 April 2022 and the placements to be guaranteed by the certain shareholders and related companies of GMK Finance. On 22 April 2022, GMK Finance and the shareholders and related companies of GMK Finance failed to make the repayment. In subsequent, the Company file an civil claim to the Intermediate People’s Court of Hohhot, Inner Mongolia Autonomous Region for demanding the repayment. On 19 June 2023, the Intermediate People’s Court of Hohhot, Inner Mongolia Autonomous Region ruled that GMK Finance the repayment of RMB375,000,000 and the interest payable.

An impairment loss on placements with a financial institution of RMB225,000,000 was made for the year ended 31 December 2022.

31. COMMITMENTS

(a) Capital commitments

At the reporting date, the capital commitments outstanding not provided for in the Interim Financial Information are as follows:

	30 June 2023 <i>RMB'000</i> (unaudited)	31 December 2022 <i>RMB'000</i> (audited)
Acquisition of property and equipment, intangible assets and other non-current assets	34,855	24,352

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

31. COMMITMENTS (CONTINUED)

(b) Lease commitments

The Group as lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Properties	1,386	1,183

The Group as lessor

At the reporting date, the total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within 1 year (inclusive)	4,756	5,394
Later than 1 year and not later than 2 years	4,263	4,397
Later than 2 years and not later than 3 years	3,337	4,194
Later than 3 years and not later than 4 years	2,849	3,618
Later than 4 years and not later than 5 years	2,862	2,852
After 5 years	3,748	5,229
	21,815	25,684

(c) Underwriting commitments

As at 30 June 2023, according to the relevant underwriting agreements, underwriting commitments taken but not provided for by the Group are amounted to RMB70,640,000,000 (31 December 2022 (audited) : RMB60,835,000,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

32. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS

As at 30 June 2023 and 31 December 2022, the Group involved in the following legal, arbitration or administrative proceedings:

Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”)

Since June 2018, the Company has successively received the civil indictments brought by Xinyuan Fund Management Limited (鑫元基金管理有限公司), Galaxy Jinhui Securities Assets Management Co., Ltd. (銀河金匯證券資產管理有限公司), Goldstate Capital Fund Management Co., Ltd. (金元順安基金管理有限公司), Bank of Nanjing Co., Ltd. (南京銀行股份有限公司), Chuangjin Hexin Fund Management Limited (創金合信基金管理有限公司), Tianhong Asset Management Co., Ltd. (天弘基金管理有限公司), SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司), Changan Funds Management Co., Ltd. (長安基金管理有限公司), China Foreign Economy And Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司), Beijing Xinrisheng Investment Management Co., Ltd. (北京鑫日升投資管理有限公司) and China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), the preferential holders (collectively the “Plaintiffs”) of the Special Scheme, claiming for the repayment of the outstanding principals (i.e., RMB20 million, RMB60 million, RMB130 million, RMB100 million, RMB40 million, RMB35 million, RMB4 million, RMB26 million, RMB20 million, RMB10 million and RMB30 million, respectively), and the interest payable and relevant charges from the Company. The Plaintiffs claimed that the Company, as the manager of the Special Scheme, had failed to perform its responsibilities in accordance with the laws and regulations as well as the requirements under the agreements and documents in relation to the Special Scheme, and therefore shall be liable for compensation to the Plaintiffs. Since August 2018, the Company has made counterplea against the Plaintiffs at the competent courts according to the time schedule of the competent courts in succession.

Details of the lawsuits against the Plaintiffs refer to note 54 to the Company’s 2022 Annual Report.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

32. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

Lawsuits with regard to the Qinghui Leasing asset-backed special scheme Phase I (the “Special Scheme”) (Continued)

During the six months ended 30 June 2023, the Company has not provided provision in relation to these lawsuits (six months ended 30 June 2022: RMB148,197,000), considers the expected loss on the settlement of the litigation and has settled the compensation amounted to RMB152,205,000 (six months ended 30 June 2022: RMB76,639,000). As at 30 June 2023, the provision of compensation to these lawsuits amounted to RMB40,000,000 (31 December 2022 (audited): RMB192,205,000).

Arbitration case with regard to Dongxu-series special account product (“Dongxu product”) managed by New China Fund

From April 2018 to October 2018, New China Fund Management Co., Ltd. (“New China Fund”), a subsidiary of the Company, Industrial and Commercial Bank of China Beijing Branch (the “ICBC Beijing branch”) as the custodian and 4 principals entered into certain Dongxu-series of special account products managed by New China Fund. During the year ended 31 December 2019, the head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds of approximately RMB1,169,000,000 (the “Advance Settlement”) to China Securities Depository and Clearing Corporation Limited due to insufficient inventory for the Dongxu-series special account product.

On 11 October 2021, New China Fund received the civil claims brought by the ICBC Beijing Branch which submitted four arbitration applications to the Beijing Arbitration Commission for compensating the Advance Settlement and interest losses. On 6 December 2022, the Beijing Arbitration Commission ruled that New China Fund to compensate the ICBC Beijing branch the Advance Settlement and the interest payable. On 10 March 2023, New China Fund and ICBC Beijing branch reached a settlement agreement. On 14 March 2023, the Beijing Financial Court issued a ruling to terminate the execution of the award.

During the six months ended 30 June 2023, the Group has settled the compensation amounted to RMB33,923,000 (six months ended 30 June 2022: nil). As at 30 June 2023, the provision of compensation to this lawsuit amounted to RMB385,720,000 (31 December 2022 (audited): RMB419,643,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

32. PROVISION OF COMPENSATION AND COMPENSATION EXPENSES ON LITIGATIONS (CONTINUED)

Lawsuits with regard to certain assets management plans managed by New China Fushi

During the year ended 31 December 2021, Beijing New China Fushi Asset Management Co., Ltd. (“New China Fushi”), a subsidiary of the Company, received certain civil claims brought by certain individuals which refiled lawsuits to the Beijing Arbitration Commission regarding certain investment losses and the interest payable from certain asset management plans managed by New China Fushi. During the period from June 2022 to September 2022, the Beijing Arbitration Commission ruled that New China Fushi to compensate partial of the investment losses. New China Fushi settled the compensation according to the judgement for the above lawsuits. During the period from October 2022 to June 2023, New China Fushi received certain more civil claims brought by certain individuals. New China Fushi settled certain compensation according to the judgement for the these civil claims brought by certain individual. As at 30 June 2023, certain lawsuits were filed to the Beijing Arbitration Commission while judgements have yet been made.

During the six months ended 30 June 2023, the Group has provided a provision in relation to these lawsuits amounted to RMB74,698,000 (six months ended 30 June 2022: nil), considers the expected loss on the settlement of these lawsuits and has settled the compensation amounted to RMB3,842,000 (six months ended 30 June 2022: nil). As at 30 June 2023, the provision of compensation to these lawsuits amounted to RMB80,534,000 (31 December 2022 (audited): RMB9,678,000).

33. RELATED PARTY TRANSACTIONS AND BALANCES

(i) The Group has following transactions/balances with the related parties:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Balances as at the end of the period/year:		
– Account payables to brokerage clients	101	604
– Other payables	28,531	21,265
– Other receivables	136	–
	28,768	21,873
	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Transactions during the period:		
– Fees and commission income	1,028	344
– Interest expenses	–	11
– Lease expenses	837	1,479
– Fees and commission expenses	3,134	–
– Consulting fees	1,192	2,802
	6,251	4,636

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(ii) Key management personnel remuneration

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Group, including members of the Board of Directors, board of supervisors and other members of the senior management. The total remuneration includes fees, salaries, bonus, allowances, benefits in kind, discretionary bonuses (including deferred bonuses paid) and contribution to social pension schemes.

	Six months ended 30 June	
	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
Fees, salaries, allowance and bonus	7,912	20,583
Contribution to pension schemes	259	316
	8,171	20,899

Notes to the Condensed Consolidated Financial Statements

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34. SEGMENT REPORTING

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2023 (unaudited)						
Revenue						
– External	778,173	95,652	135,965	170,700	16,767	1,197,257
– Inter-segment	(4)	–	–	4	–	–
Other income and gains	6,839	198	7,834	233,820	2,520	251,211
Segment revenue and other income	785,008	95,850	143,799	404,524	19,287	1,448,468
Segment expenses	(697,151)	(82,760)	(109,086)	(274,627)	(73,789)	(1,237,413)
Profit/(Loss) before tax	87,857	13,090	34,713	129,897	(54,502)	211,055
Other segment information:						
– Interest income	308,403	6,931	59,484	6,236	13,769	394,823
– Interest expenses	(108,746)	(387)	(87,942)	(12,529)	(582)	(210,186)
– Depreciation and amortisation	(65,121)	(4,338)	(3,112)	(25,393)	(13,599)	(111,563)
– Impairment losses/(Reversal of impairment losses), net	(31,821)	–	(2,870)	460	–	(34,231)
– Capital expenditure	20,914	342	788	1,350	5,040	28,434
– Right-of-use assets additions	9,192	–	–	324	11,168	20,684

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

34. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management <i>RMB'000</i>	Investment banking <i>RMB'000</i>	Proprietary trading <i>RMB'000</i>	Investment management <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2022 (unaudited)						
Revenue						
– External	886,540	106,355	89,927	217,473	20,275	1,320,570
– Inter-segment	(5)	–	5	–	–	–
Other income and gains	5,182	219	164	28,276	2,086	35,927
Segment revenue and other income	891,717	106,574	90,096	245,749	22,361	1,356,497
Segment expenses	(789,993)	(83,340)	(289,417)	(620,020)	(66,902)	(1,849,672)
Profit/(Loss) before tax	<u>101,724</u>	<u>23,234</u>	<u>(199,321)</u>	<u>(374,271)</u>	<u>(44,541)</u>	<u>(493,175)</u>
Other segment information:						
– Interest income	325,360	7,837	66,841	7,152	18,650	425,840
– Interest expenses	(119,823)	(160)	(117,823)	(11,145)	–	(248,951)
– Depreciation and amortisation	(65,363)	(1,873)	(4,052)	(25,932)	(13,055)	(110,275)
– Impairment losses/(Reversal of impairment losses), net	5,476	–	(6,902)	(270)	30	(1,666)
– Capital expenditure	43,901	64	14	5,902	1,596	51,477
– Right-of-use assets additions	62,118	–	–	526	–	62,644

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For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

34. SEGMENT REPORTING (CONTINUED)

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Investment management RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2023						
(unaudited):						
Segment assets	19,536,008	722,783	7,164,454	2,347,839	1,142,376	30,913,460
Deferred tax assets						721,237
Total assets						<u>31,634,697</u>
Segment liabilities	16,669,198	165,347	5,195,865	985,065	247,719	23,263,194
Deferred tax liabilities						18
Total liabilities						<u>23,263,212</u>
As at 31 December 2022						
(audited):						
Segment assets	18,594,379	712,518	7,647,136	2,504,150	782,991	30,241,174
Deferred tax assets						780,074
Total assets						<u>31,021,248</u>
Segment liabilities	15,511,803	169,202	5,476,173	1,459,104	219,188	22,835,470
Deferred tax liabilities						22
Total liabilities						<u>22,835,492</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS

(a) 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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three level inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3 inputs: significant unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Recurring fair value measurements:				
As at 30 June 2023 (unaudited)				
Financial assets at FVTPL:				
– Debt securities	460,318	2,648,761	156	3,109,235
– Equity securities	1,393,499	142,689	94,221	1,630,409
– Investment funds	1,220,376	134,876	11,949	1,367,201
– Assets management schemes	–	130,048	–	130,048
– Collective trust schemes	–	96,452	–	96,452
	<u>3,074,193</u>	<u>3,152,826</u>	<u>106,326</u>	<u>6,333,345</u>
Financial assets at FVTOCI:				
– Debt securities	50,094	2,188,123	–	2,238,217
– Equity securities	–	191,313	32,634	223,947
	<u>50,094</u>	<u>2,379,436</u>	<u>32,634</u>	<u>2,462,164</u>
	<u><u>3,124,287</u></u>	<u><u>5,532,262</u></u>	<u><u>138,960</u></u>	<u><u>8,795,509</u></u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

Disclosures of level in fair value hierarchy: (Continued)

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Recurring fair value measurements:				
As at 31 December 2022 (audited)				
Financial assets at FVTPL:				
– Debt securities	739,218	3,451,064	156	4,190,438
– Equity securities	648,062	176,445	94,675	919,182
– Investment funds	681,320	133,724	3,949	818,993
– Assets management schemes	–	129,204	–	129,204
– Collective trust schemes	–	95,594	–	95,594
	<u>2,068,600</u>	<u>3,986,031</u>	<u>98,780</u>	<u>6,153,411</u>
Financial assets at FVTOCI:				
– Debt securities	103,572	2,076,909	–	2,180,481
– Equity securities	–	189,223	21,383	210,606
	<u>103,572</u>	<u>2,266,132</u>	<u>21,383</u>	<u>2,391,087</u>
	<u>2,172,172</u>	<u>6,252,163</u>	<u>120,163</u>	<u>8,544,498</u>

There were no significant transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the six months ended 30 June 2023 and the year ended 31 December 2022 except for:

For the six months ended 30 June 2023

One equity security with fair value of RMB14,789,000 were transferred from Level 2 to Level 1 upon the expiry of lock-up period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Fair value of the financial instruments that are not presented at fair value

The carrying amount and fair value of debt instruments which are not presented at fair value are as below:

	30 June 2023		31 December 2022	
	Carrying amount RMB'000 (unaudited)	Fair value RMB'000 (unaudited)	Carrying amount RMB'000 (audited)	Fair value RMB'000 (audited)
Financial assets:				
– Debt investments measured at amortised cost	219,471	218,172	219,409	217,048
Financial liabilities:				
– Subordinated bonds	2,961,684	3,005,504	1,493,597	1,501,247
– Long-term corporate bonds	1,946,795	1,959,974	1,934,668	1,962,576
	4,908,479	4,965,478	3,428,265	3,463,823

Except as disclosed above, the directors of the Company considers that the carrying amount of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements

Level 1 fair value measurements

Fair value of financial instruments under level 1 fair value measurement is based on quoted prices (unadjusted) reflected in active markets.

Level 2 fair value measurements

As at 30 June 2023 and 31 December 2022, the Group's financial assets at FVTPL and FVTOCI under level 2 fair value measurements consist of debt securities, equity securities, investment funds, assets management schemes and collective trust schemes and their fair value measurements were determined as follows:

Debt securities of RMB4,836,884,000 (31 December 2022 (audited): RMB5,527,973,000), of which value are available on China bond pricing system on the valuation date, fair values are determined by using the latest valuation results published by China bond pricing system.

For equity securities of RMB334,002,000 (31 December 2022 (audited): RMB365,668,000), fair values are determined by using the latest quoted price adjusted by certain observable inputs.

For investment funds, assets management schemes and collective trust schemes of RMB134,876,000 (31 December 2022 (audited): RMB133,724,000), RMB130,048,000 (31 December 2022 (audited): RMB129,204,000) and RMB96,452,000 (31 December 2022 (audited): RMB95,594,000), respectively, fair values are determined based on the quoted prices or recent market transaction price of the underlying investments in each portfolio or the net asset values as published by the fund managers.

During the six months ended 30 June 2023 and the year ended 31 December 2022, there were no significant changes of valuation techniques for level 2 fair value measurements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (c) Valuation process used by the Group and valuation techniques and inputs used in fair value measurements (Continued)

Level 3 fair value measurements

For financial instruments under level 3 fair value measurements, prices are determined using valuation methodologies such as market comparable method, discounted cash flow models or other similar techniques. The fair value measurements of these financial instruments may involve unobservable inputs such as price to book ratio, price to earnings ratio, liquidity discount, etc. The financial market department periodically reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3 fair value measurements.

The quantitative information of fair value measurements for level 3 is as follows:

Description	Fair value as at		Valuation technique	Unobservable inputs	Relationship of unobservable input(s) to fair value
	30 June 2023 (unaudited) RMB'000	31 December 2022 (audited) RMB'000			
Unlisted equity investments	94,221	94,675	Market comparable companies	Discount rate for lack of marketability – 40% (31 December 2022 (audited): 40%)	The higher the discount rate, the lower the fair value
Unlisted equity investments	32,634	21,383	Market comparable companies	Price-to-Book ratio – 1:1 (31 December 2022: 1:1)	The higher the ratio, the higher the fair value
Unlisted investment funds	11,949	3,949	Market comparable companies	Discount rate for lack of marketability – 40% (31 December 2022 (audited): 40%)	The higher the discount rate, the lower the fair value
Debt securities	156	156	Discounted cash flow	Risk adjusted discount rate 5.5% (31 December 2022 (audited): 5.5%)	The higher the discount rate, the lower the fair value
	138,960	120,163			

During the six months ended 30 June 2023, there were no significant changes of valuation techniques for level 3 fair value measurements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

35. FAIR VALUE MEASUREMENTS (CONTINUED)

- (d) Reconciliation of financial assets measured at fair value under level 3 fair value measurements:

	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
As at 1 January 2023 (audited)	98,780	21,383	120,163
Additions	8,000	11,251	19,251
Changes in fair value recognised in profit or loss	(454)	–	(454)
As at 30 June 2023 (unaudited)	106,326	32,634	138,960
Total loss included in profit or loss for financial assets during the period	454	–	454
As at 1 January 2022 (audited)	123,616	–	123,616
Changes in fair value recognised in profit or loss or other comprehensive income	(50,836)	(31,244)	(82,080)
Additions	26,000	52,627	78,627
As at 31 December 2022 (audited)	98,780	21,383	120,163
Total loss included in profit or loss for financial assets during the year	50,836	31,244	82,080

36. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Information were approved and authorised for issue by the Board of Directors on 25 August 2023.