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国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

(a joint stock limited company established in the People's Republic of China with limited liability)

(Stock Code: 01456)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Board**") of Guolian Securities Co., Ltd. (the "**Company**") hereby announces the audited annual results of the Company and its subsidiaries for the year ended 31 December 2021. This announcement, containing the full text of the 2021 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Company's 2021 annual report will be dispatched to the shareholders of the Company and available for viewing on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.glsc.com.cn.

By order of the Board
Guolian Securities Co., Ltd.
Ge Xiaobo
Executive Director

Wuxi, Jiangsu Province, the PRC
24 March 2022

As of the date of this announcement, the executive director of the Company is Mr. Ge Xiaobo; the non-executive directors of the Company are Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang; and the independent non-executive directors of the Company are Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa.

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Section 1 Definitions

General Terms

A Share(s)	domestic share(s) of the Company with a nominal value of RMB1.00 each, which are listed and traded on Shanghai Stock Exchange
Articles of Association	the articles of association of the Company
Associates	has the meaning ascribed to it under the Listing Rules
Beijing Stock Exchange	Beijing Stock Exchange
CG Code	the Corporate Governance Code in Appendix 14 of the Listing Rules
Company Law	the Company Law of the PRC
Company, the Company or Guolian Securities	Guolian Securities Co., Ltd.
Connected Persons	has the meaning ascribed to it under the Listing Rules
Connected Transactions	has the meaning ascribed to it under the Listing Rules
Continuing Connected Transaction(s)	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder(s)	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Guolian Group, Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile, Huaguang Environmental, Guolian Industrial and Guolian Financial Investment
Cotton Textile	Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), a wholly-owned subsidiary of Guolian Group, which holds 2.57% of the shares of the Company
CSRC	The China Securities Regulatory Commission

Director(s) and Board or Board of Directors	The Director(s) and the board of Directors of the Company
GDP	Gross Domestic Products
General Meeting(s)	the general meetings of the Company
Guolian Capital	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司), a wholly-owned subsidiary of the Company
Guolian Chuangxin	Wuxi Guolian Chuangxin Capital Company Limited* (無錫國聯創新投資有限公司), a wholly-owned subsidiary of the Company
Guolian Financial Investment	Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Futures	Guolian Futures Co., Ltd.* (國聯期貨股份有限公司), 54.72% of the shares of which is held by Guolian Group
Guolian Group	Wuxi Guolian Development (Group) Co., Ltd.* (無錫市國聯發展(集團)有限公司), which directly and indirectly holds 48.60% of the shares of the Company, the Controlling Shareholder of the Company
Guolian HK	Guolian Securities (Hong Kong) Limited, a wholly-owned subsidiary of the Company
Guolian Industrial	Wuxi Guolian Industrial Investment Group Co., Ltd.* (無錫國聯實業投資集團有限公司), a wholly-owned subsidiary of Guolian Group
Guolian Industrial Investment	Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), a directly and indirectly wholly-owned subsidiary of Guolian Group
Guolian Trust	Guolian Trust Co., Ltd.* (國聯信託股份有限公司), 91.87% of the shares of which is held by Guolian Group directly and indirectly and it holds 13.78% of the shares of the Company
H Share(s)	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, which are listed on the HK Stock Exchange and traded in HKD

Section 1 Definitions

HK Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hua Ying Securities	Hua Ying Securities Co., Ltd.* (華英證券有限責任公司), a wholly-owned subsidiary of the Company
Huaguang Environmental	Wuxi Huaguang Environmental & Energy Group Co., Ltd.* (無錫華光環保能源集團股份有限公司), 72.15% of the equity interest of which is held by Guolian Group, which holds 1.03% of the shares of the Company
IFRS	include the standards, amendments and interpretations promulgated by International Accounting Standards Board and the International Accounting Standards and Interpretations issued by International Accounting Standards Committee
Jiangsu Xinfang	Jiangsu Xinfang Industrial Co., Ltd.* (江蘇新紡實業股份有限公司)
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Minsheng Investment	Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司), a wholly-owned subsidiary of Guolian Financial Investment, which holds 2.60% of the shares of the Company
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuer in Appendix 10 of the Listing Rules
PRC or China	the People's Republic of China
Reporting Period	the period from 1 January 2021 to 31 December 2021
SAC	the Securities Association of China
SAT	State Administration of Taxation of the PRC

Shanghai Stock Exchange	Shanghai Stock Exchange
Substantial Shareholder(s)	has the meaning ascribed to it under the Listing Rules
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Securities Law	the Securities Law of the PRC
SME	small and medium-sized enterprise(s)
Supervisor(s) and Supervisory Committee	The Supervisor(s) and Supervisory Committee of the Company
The Group	The Company and its subsidiaries
Wind	Wind, an internet big data financial terminal which is intended for use by various institutional users including all kinds of financial investment institutions, research institutions and academic institutions
Wuxi Electric	Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), a wholly-owned subsidiary of Guolian Industrial, which holds 9.43% of the shares of the Company
Wuxi Rural Revitalization Fund	Wuxi Rural Development and Revitalization Investment Fund (Limited Partnership) (無錫市鄉村發展振興投資基金 (有限合夥))
Zhonghai Fund	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), 33.409% of the equity interest of which is held by the Company

Section 1 Definitions

Technical Terms

Collective Asset Management Scheme	an asset management contract entered into with multiple clients by a securities firm, pursuant to which the clients' assets are placed in the custody of commercial banks or in other institutions approved by the CSRC which are qualified to hold client transaction settlement funds for entrustment, and the securities firm provides asset management services to the clients through designated accounts
iDeal	the instant message platform launched by China Foreign Exchange Trade System (CFETS) for the inter-bank domestic and foreign currency market
Direct Investment Business	a business in which the subsidiary set up by the securities firm leverages on its own professional advantage to search for and find quality investment projects and make equity or debt investment with their own or raised funds, so as to obtain income from equity interest or debts
FICC	fixed-income, currencies and commodities business
FOF	fund of funds
Fund Investment Advisory	fund investment advisory business
Futures IB	the business activities in which securities firms, as commissioned by futures companies, introduce clients to participate in futures transactions for the futures companies and provide other related services
"General Direction 50"	the Company creates a single or TOF or high-end customized configuration service for Small Businesses, Large Customers with core assets configuration pool featuring "private offering as the mainstay and public offering as the supplement"
"IMF"	International Monetary Fund
IPO	the abbreviation for "Initial Public Offering"

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
NEEQ	National Equities Exchange and Quotations
QDLP	qualified domestic limited partner
QFLP	qualified foreign limited partners
REITs	real estate investment trusts
Shanghai-Hong Kong Stock Connect	a mechanism of inter-connection and inter-working between transactions of Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and HK Stock Exchange allow investors of the two sides to buy or sell the shares (within a specified limit) listed on the stock exchange of the other side via local securities companies (or brokers)
Single Asset Management Scheme	an asset management contract entered into by a securities firm with a single client, pursuant to which the securities firm provides asset management services to the client through the accounts under the client's name
Specialized Asset Management Scheme	an asset management contract entered into by a securities firm with client to specify the investment objectives that specifically cater for the special requirements and asset structure of each individual client and provides asset management service to client through a designated account
Stock Pledged Repurchase Transaction	a transaction in which eligible funds receivers obtain financing from eligible funds givers by pledging the stocks or other securities they hold and agree to return the funds and discharge the pledge some day in the future
VR/AR	virtual reality/augmented reality

This report is prepared both in Chinese and English. In the event of any discrepancy between the two versions, the Chinese version shall prevail.

Special note: Any discrepancies in this report between totals and sums of figures listed are due to rounding.

Section 2 Company Profile

1. Company Name

Registered Chinese Name: 國聯證券股份有限公司
Registered English Name: Guolian Securities Co., Ltd.
Short Name in Chinese: 國聯證券
Short Name in English: Guolian Sec

2. Stock Code

HK Stock Exchange H Share Stock Code: 01456
Shanghai Stock Exchange A Shares Stock Code: 601456

3. Legal Representative

Mr. Ge Xiaobo (葛小波) (acting)

4. Registered Capital and Net Capital

Registered Capital: RMB2,831,773,168
Net Capital: RMB14.801 billion

5. Headquarters in China

Registered Address of the Company: No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Zip Code: 214000
Office Address of the Company: No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Zip Code: 214000
Company Website: www.glsc.com.cn
E-mail: glsc-ir@glsc.com.cn
Tel: 0510-82833209

6. Principal Place of Business in Hong Kong

40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

7. General Manager (the President)

Mr. Ge Xiaobo (葛小波)

8. Secretary of the Board

Mr. Wang Jie (王捷)

9. Company Secretary

Ms. Lin Fanyu (林凡鈺)

10. Authorized Representatives

Mr. Ge Xiaobo (葛小波), Ms. Lin Fanyu (林凡鈺)

11. Auditors

Domestic: Deloitte Touche Tohmatsu Certified Public Accountants LLP
International: Deloitte Touche Tohmatsu

12. Legal Advisor (as to Hong Kong Laws)

Clifford Chance

13. Share Registrars

Share Registrar for A Shares: Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Share Registrar for H Shares: Computershare Hong Kong Investor Services Limited

Section 3 Summary of Accounting and Business Data

I. Principal Accounting Data and Financial Indexes

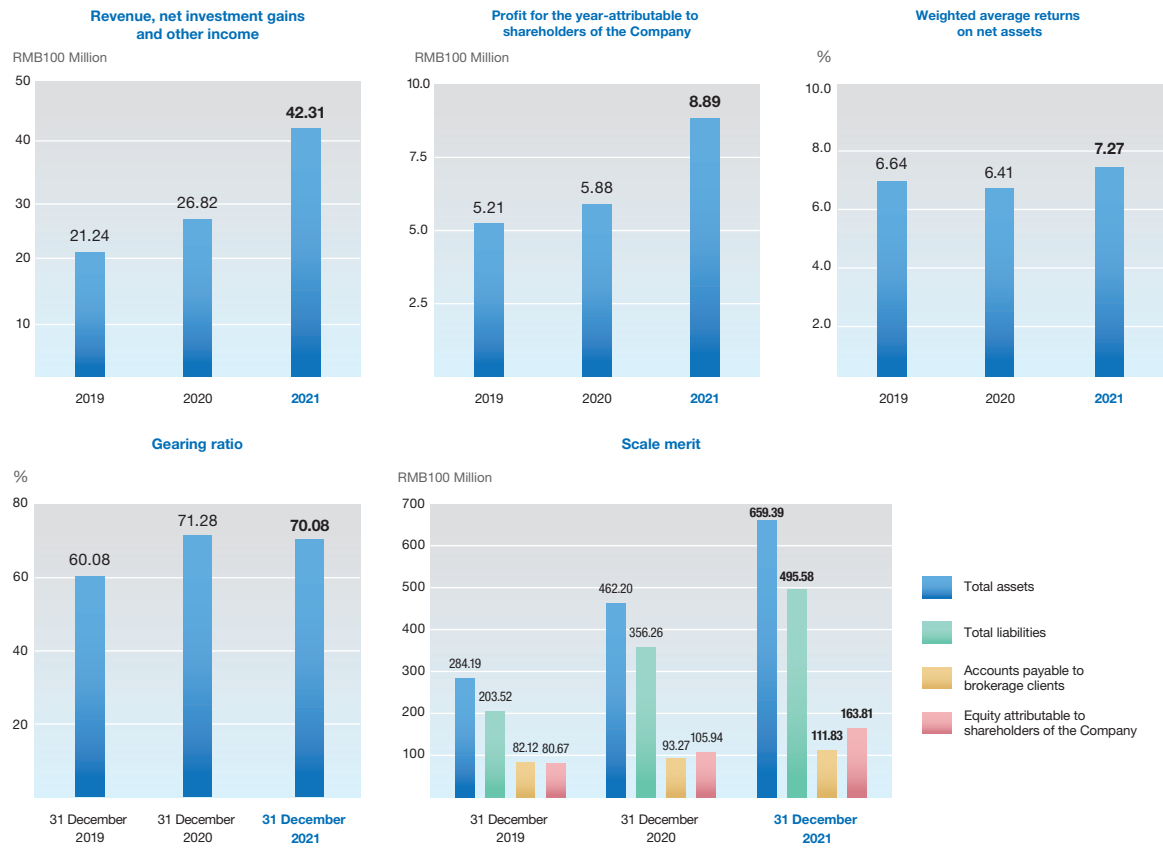
(I) Principal accounting data and financial indexes for the recent three years

Items	2021	2020	Year-on-Year Growth	2019
Operating results (RMB'000)				
Revenue, net investment gains and other income	4,231,270	2,682,023	57.76%	2,123,571
Profit before income tax	1,173,365	787,922	48.92%	686,485
Profit for the year – attributable to shareholders of the Company	888,640	587,871	51.16%	521,343
Net cash used in operating activities	–6,854,689	–5,370,839	–	1,240,788
Earnings per share (RMB/share)				
Basic earnings per share	0.36	0.28	28.57%	0.27
Diluted earnings per share	0.36	0.28	28.57%	0.27
Profitability index				
Weighted average returns on net assets (%)	7.27%	6.41%	Increased by 0.86 percentage point	6.64%

Items	31 December 2021	31 December 2020	Year-on-Year Growth	31 December 2019
Scale index (RMB'000)				
Total assets	65,939,239	46,219,949	42.66%	28,419,403
Total liabilities	49,558,170	35,625,779	39.11%	20,352,077
Accounts payable to brokerage clients	11,182,579	9,327,198	19.89%	8,212,333
Equity attributable to shareholders of the Company	16,381,069	10,594,170	54.62%	8,067,326
Total share capital ('000 shares)	2,831,773	2,378,119	19.08%	1,902,400
Net asset value per share attributable to shareholders of the Company (RMB/share)	5.78	4.45	29.89%	4.24
Gearing ratio (%)'	70.08%	71.28%	Decreased by 1.20 percentage points	60.08%

[1] Gearing ratio = (total liabilities–accounts payable to brokerage clients)/(total assets–accounts payable to brokerage clients)

Section 3 Summary of Accounting and Business Data



(II) Principal accounting data and financial indexes for the recent five years

Earnings (RMB'000)

Items	2021	2020	2019	2018	2017
Revenue, net investment gains and other income	4,231,270	2,682,023	2,123,571	1,496,815	1,792,803
Total expenses	3,059,604	1,905,089	1,457,452	1,434,713	1,178,884
Profit before income tax	1,173,365	787,922	686,485	71,652	516,678
Profit for the year – attributable to shareholders of the Company	888,640	587,871	521,343	50,588	361,492

Section 3 Summary of Accounting and Business Data

Assets (RMB'000)

Items	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Total assets	65,939,239	46,219,949	28,419,403	21,283,776	24,065,998
Total liabilities	49,558,170	35,625,779	20,352,077	13,634,592	16,473,426
Accounts payable to brokerage clients	11,182,579	9,327,198	8,212,333	5,594,621	6,879,052
Equity attributable to shareholders of the Company	16,381,069	10,594,170	8,067,326	7,649,184	7,592,572
Total share capital ('000 shares)	2,831,773	2,378,119	1,902,400	1,902,400	1,902,400

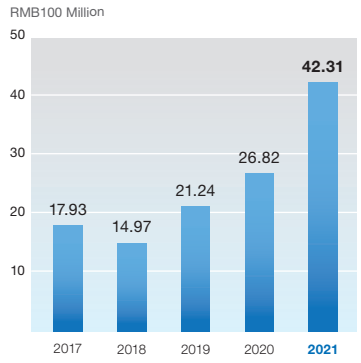
Key financial indexes

Items	2021	2020	2019	2018	2017
Basic earnings per share	0.36	0.28	0.27	0.03	0.19
Diluted earnings per share	0.36	0.28	0.27	0.03	0.19
Weighted average returns on net assets (%)	7.27%	6.41%	6.64%	0.66%	4.82%

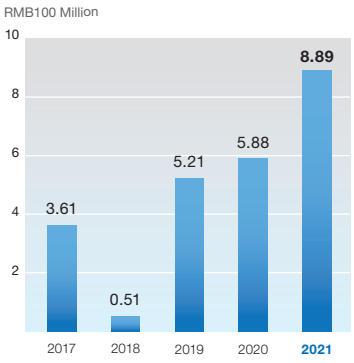
	31 December 2021	31 December 2020	31 December 2019	31 December 2018	31 December 2017
Gearing ratio (%)	70.08%	71.28%	60.08%	51.25%	55.82%
Net asset value per share attributable to shareholders of the Company (RMB/share)	5.78	4.45	4.24	4.02	3.99

Section 3 Summary of Accounting and Business Data

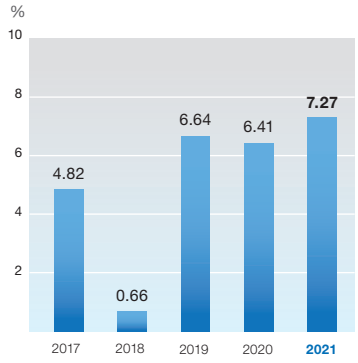
Revenue, net investment gains and other income



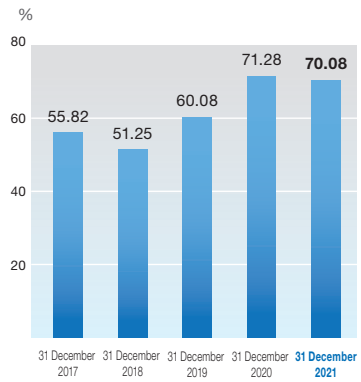
Profit for the year-attributable to shareholders of the Company



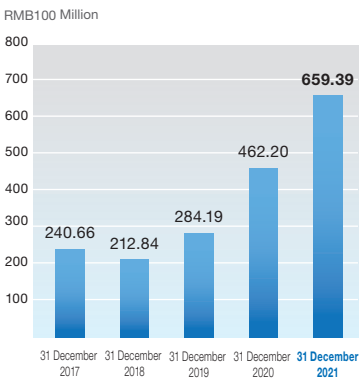
Weighted average returns on net assets



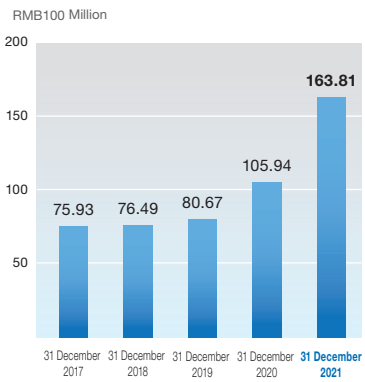
Gearing ratio



Total assets



Equity attributable to shareholders of the Company



II. Differences of Accounting Data under Domestic and Overseas Accounting Standards

The consolidated financial statement prepared by the Company in accordance with the IFRS and the Accounting Standards for Business Enterprises of the PRC show no difference in the net profit in 2021 and 2020 and the net assets as at 31 December 2021 and 31 December 2020.

III. The Company's Net Capital and Related Risk Control Index

As at 31 December 2021, the net capital of the Company was RMB14.801 billion, representing an increase of 48.33% as compared to the net capital of RMB9.978 billion as at the end of 2020. During the Reporting Period, the related risk control indexes of the Company including net capital had complied with the regulatory requirements.

Unit: in RMB'000

Items	31 December 2021	31 December 2020	Regulatory standard
Net capital	14,800,609	9,978,325	–
Net assets	16,068,831	10,451,951	–
Risk coverage ratio (%)	206.78	280.52	≥100%
Capital leverage ratio (%)	25.27	23.48	≥ 8%
Liquidity coverage ratio (%)	219.28	322.37	≥100%
Net steady fund rate (%)	158.41	165.38	≥100%
Net capital/net assets (%)	92.11	95.47	≥20%
Net capital/liabilities (%)	39.60	39.42	≥ 8%
Net assets/liabilities (%)	43.00	41.29	≥10%
Proprietary equity securities and their derivatives/net capital (%)	35.33	18.55	≤100%
Proprietary non-equity securities and their derivatives/net capital (%)	188.87	159.88	≤500%

I. Board's Discussion and Analysis on the Operation of the Company during the Reporting Period

(I) Overall Operation of the Company

For the whole year of 2021, the Group achieved revenue, net investment gains and other income amounting to RMB4.231 billion, representing a year-on-year increase of 57.76%. Net profit attributable to shareholders of the Company of RMB889 million was achieved, representing a year-on-year increase of 51.16%. As at 31 December 2021, total assets of the Group was RMB65.939 billion; and net assets attributable to shareholders of the Company was RMB16.381 billion and the weighted average returns on net assets was 7.27%.

The revenue generated from the brokerage and wealth management business was RMB1.157 billion, representing a year-on-year increases of 23.20%; the revenue generated from the investment banking business was RMB591 million, representing a year-on-year increase of 63.13%; the revenue generated from the asset management and investment business was RMB261 million, representing a year-on-year increase of 150.87%; the revenue generated from the credit transactions business was RMB734 million, representing a year-on-year increase of 26.29%; and the revenue generated from the proprietary trading business was RMB1.318 billion, representing a year-on-year increase of 95.25%.

(II) Analysis of Principal Business

(I) Brokerage and Wealth Management Business

Market Environment

In 2021, the overall market trading sentiment of domestic securities market was vibrant as compared with the same period of last year. According to the information of the Shanghai and Shenzhen Stock Exchanges, the annual stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB276.30 trillion, and the average daily turnover of stocks and funds was RMB1,137.024 billion, representing a year-on-year increase of 25.33%.

Actions and Achievements

During the Reporting Period, the Company vigorously strengthened the efforts of soliciting clients' assets, and the asset size of high-net-worth clients and institutional clients achieved significant growth. The fund investment advisory business was developed both internally and externally, whereby internally it consolidated the foundation and externally established the fund investment advisory ecological chain for its business partner to expand cooperation channels. It strengthened process management, solidly promoted product sales and achieved a dual growth in product sales and income. The Company continued to introduce high-end and high-quality products and created a product and service system for high-net-worth clients with its distinguished characteristics to meet the deployment needs of high-net-worth clients. It sorted out and integrated corporate resources, further improved private equity service chain, explored new models of private equity fund business and enhanced comprehensive service capabilities for private equity fund business of the Company. It continued to improve personnel efficiency, optimized income structure and deepened the transformation of wealth management.

In 2021, the net income from agency sales of securities business of the Company was RMB494 million, representing a year-on-year increase of 5.27%. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (shares and funds) was RMB2,723.058 billion with a market share of 0.49%, representing a year-on-year increase of 2.08% as compared to 2020. As at the end of the Reporting Period, the total number of customers was 1,385,600, representing an increase of 8.46% as compared to the same period of last year.

Items	2021/ end of 2021	2020/ end of 2020	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	27,230.58	21,280.62	27.96%
Number of securities brokerage clients (in '0,000)	138.56	127.75	8.46%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB45.749 billion, representing a year-on-year increase of 5.84%. Among which, sales volume of self-developed asset management products amounted to RMB20.515 billion, representing a year-on-year decrease of 26.50%. Sales volume of third-party fund products amounted to RMB15.318 billion, representing a year-on-year increase of 27.59%. Sales volume of third-party trust products amounted to RMB4.813 billion, representing a year-on-year increase of 207.54%. Sales volume of other financial products amounted to RMB5.103 billion, representing a year-on-year increase of 192.94%.

During the Reporting Period, the fund investment advisory business of the Company witnessed its rapid business development. As at the end of the Reporting Period, the total number of contracted accounts for fund investment advisory of the Company was 150,300, with contracted asset size amounted to RMB10.263 billion, continuing to maintain the leading position in the industry.

Outlook for 2022

In 2022, the Company will continue to improve its retail sales capabilities, propel the transformation of its service model and consolidate the foundation of its retail business. According to the individual needs of different clients, the Company will explore and try its "personalized" asset deployment service model for fund investment advisory and stock investment advisory businesses, so as to improve customer experience, enhance customer loyalty and promote the transformation of employees from product sales model to asset deployment service model. The Company will continue to expand the pipelines coverage of fund investment advisory and further expand business scale by leveraging the opportunity of Internet financial management rectification and standardized supervision of investment advisory business. It will co-ordinate all business lines of the Company to integrate resources and create a more professional institutional business mechanism, and strengthen team building and cadre training to promote the sustainable development of wealth management business.

(II) Investment Banking Business

The Company engaged in the investment banking business through Hua Ying Securities, its wholly-owned subsidiary. Specifically, it mainly includes the equity financing business, bond financing business, financial advisory business and NEEQ business.

1. *Equity Financing Business*

Market Environment

In 2021, with continuous deepening capital market reform, the merger of Shenzhen SME board and the main board and the opening of Beijing Stock Exchange, important steps have been marched in constructing a multi-level capital market, and a new pattern of coordinated development of multiple market sectors has been formed. According to the statistics from Wind, in 2021, 1,212 equity financing projects were completed in the Shanghai and Shenzhen A Share markets, with a total financing amount of RMB1,817.785 billion, reaching a new high in the past five years in terms of financing size. Among which, 524 IPO projects were completed during the year, representing an increase of 87 as compared with last year, and the financing amount reached RMB542.654 billion, representing a year-on-year increase of 12.92%. Both the number of IPOs and financing amount had set historical records. There were 520 additional issuance projects completed during the year, representing an increase of 143 as compared with last year, and the financing amount reached RMB908.258 billion, representing a year-on-year increase of 8.84%. There were 168 other raising and issuance projects, with a financing amount of RMB366.873 billion, basically the same as last year.

Actions and Achievements

In 2021, adhering to the concept of providing all-round services to its core customers, Hua Ying Securities implemented the business strategy of focusing on specific regions, specific industries and specific projects. The equity business developed rapidly, achieving the "dual breakthrough" in IPO and refinancing business of Hua Ying Securities and a "good start" in the Beijing Stock Exchange business. According to the ranking from Wind, the equity business of Hua Ying Securities achieved its best historical ranking in the industry and ranked 23rd in terms of total underwriting amount of equity business. Among which, the listed company's refinancing underwriting amount ranked 16th and the underwriting income ranked 6th. As the mainstream product of refinancing, the private replacement underwriting amount ranked 9th and the underwriting income ranked 4th. All core indicators entered the top 25 in the industry.

During the Reporting Period, Hua Ying Securities completed 9 equity underwriting and sponsorship projects, including 2 IPO projects and 7 refinancing projects, 2 IPO sub-underwriting projects and 1 refinancing sub-underwriting project, with a total underwriting amount of RMB13.461 billion, representing a year-on-year increase of 300.15%. At the same time, the equity business maintained a good development momentum. Currently, there are 2 projects which had already obtained approvals and were pending issuance, 3 projects are under review and 13 projects have been declared and seeking consultation.

The table below shows the details of equity underwriting and sponsorship business for the year:

Currency: RMB

Items	2021 Underwriting amount (In 100 million)	2021 Number of issuance (Unit)	2020 Underwriting amount (In 100 million)	2020 Number of issuance (Unit)
Initial public offering	6.83	2	12.91	4
Refinancing issuance	127.78	7	20.50	4
Sub-underwriting	0	3	0.23	1
Total	134.61	12	33.64	9

Outlook for 2022

In 2022, Hua Ying Securities will continue to expand its IPO business and strive to build it into a brand business of investment banking; further deepen the business synergy with the parent company and promote the transformation of the investment banking business through the "investment banking + investment" model. It will seize the business opportunities of the Beijing Stock Exchange to promote more professionalized, refined, specialized and novelty introverted champion enterprises to enter the capital market. It will continue to strengthen the construction of contracting and underwriting capabilities, improve the comprehensive service capabilities of investment banks and actively serve the development of the real economy.

2. Bond Financing Business

Market Environment

In 2021, the issuance review policy of the bond market was more and more stringent, and the growth rate of bond issuance slowed down as compared with previous years. According to statistics from Wind, the total amount of bond issuance various types for the year was RMB61.75 trillion, representing a year-on-year increase of 8.54%. Among which, the annual issuance volume of corporate bond was RMB3.45 trillion, representing a year-on-year increase of 2.46%. The annual issuance volume of enterprise bond was RMB0.44 trillion, representing a year-on-year increase of 12.05%.

Actions and Achievements

In 2021, Hua Ying Securities demonstrated strong resilience in its business development in facing tightening bond policies. The volume and size of bond issuance increased significantly compared with last year, and its varieties continued to enrich. According to the ranking from Wind, the bond business of Hua Ying Securities achieved historic highest ranking in the industry. The total underwriting amount of bond business ranked 36th, up by 19 as compared with last year. Among which, the total underwriting amount of enterprise bond, corporate bond and non-policy financial bond ranked 30th, up by 18 as compared with last year. The underwriting amount of corporate bond ranked 29th, up by 24 as compared with last year. All core indicators entered the top 36 in the industry.

In 2021, Hua Ying Securities completed a total of 86 bond underwriting projects (lead underwriting and joint lead underwriting) and 55 government bond sub-underwriting projects, with a total underwriting amount of RMB43.138 billion, representing a year-on-year increase of 49.70%. In addition, Hua Ying Securities had 43 bond projects which had already obtained approvals and were pending issuance, with a pending issuance amount exceeded RMB100 billion and 25 bond projects with applications under review.

The table below shows the details of bond underwriting business for the year:

Currency: RMB

	2021		2020	
Items	Amount of underwriting (In 100 million)	Number of issuances (Unit)	Amount of underwriting (In 100 million)	Number of issuances (Unit)
Enterprise bonds	13.20	4	19.50	5
Corporate bonds	393.56	80	262.51	40
Standardized bills	0.00	0	0.52	1
Debt financing plan	3.50	2	0.93	2
Local government bonds	21.12	55	4.70	19
Total	431.38	141	288.16	67

Note: The above bond projects include lead underwriting, joint lead underwriting and sub-underwriting.

Outlook for 2022

In 2022, Hua Ying Securities will continue to give full play to its overall business advantages and provide customers with all-round and comprehensive bond financing services. It will continue to consolidate and improve the strengths of bond underwriting business in Wuxi and effectively serve the development of the local real economy in Wuxi. It will strengthen the cooperation with the government, banks and industrial parks, increase the development and service of high-quality customers, strengthen the maintenance of investment institutions, expand bond sales network, and enhance bond sales capabilities.

3. Financial Advisory Business

Market Environment

In 2021, the mergers and acquisitions and restructuring market remained sluggish. The Listed Company Mergers and Acquisitions and Restructuring Review Committee of CSRC reviewed a total of 45 transactions during the year, and the overall number of companies was nearly halved compared to 2020.

Actions and Achievements

In 2021, Hua Ying Securities completed 48 financial advisory projects (excluding NEEQ), including 1 financial advisory project for listed companies, 47 for other advisory projects, and achieved rapid growth in the number of projects and business income.

Outlook for 2022

In 2022, with the full implementation of the registration system and the normalized issuance of IPOs, the market demand for mergers and acquisitions and restructuring of listed companies will gradually accumulate. Hua Ying Securities will always maintain its sensitivity to the mergers and acquisition transaction policy, conduct in-depth research and analysis on business and industries, cultivate mergers and acquisitions business, and improve comprehensive service capabilities of mergers and acquisitions.

4. NEEQ Business

Market Environment

As at the end of 2021, the number of enterprises listed on NEEQ was 6,932, with a total market capitalization of RMB1,957.494 billion. The total trading volume on the NEEQ market during the year amounted to RMB81.999 billion, and total funds raised from the issuance of shares amounted to RMB31.325 billion. The market turnover and total issuance financing decreased slightly as compared with last year. As at the end of the Reporting Period, the NEEQ component index closed at 1,138.22, representing an increase of 12.61% as compared with that of the end of 2020. The NEEQ market-making component index closed at 1,455.68, representing an increase of 35.64% as compared with that of the end of 2020.

Actions and Achievements

In 2021, the NEEQ business of Hua Ying Securities continued to operate on the basis of expanding client coverage with value identification and actualization as the core, prepared for the listing business of the Beijing Stock Exchange, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective control of business risks. During the Reporting Period, Hua Ying Securities completed 7 projects in relation to private placing for NEEQ and ongoing supervision for 94 enterprises.

Outlook for 2022

In 2022, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers to create good returns.

(III) Asset Management and Investment Business

1. Asset Management

Market Environment

2021 marked the "inauguration year of new asset management" when the "new asset management regulations" are about to complete its transitional period. The asset management business entered a new era of returning to active management and deepening net worth transformation. The pace of public offering transformation of large-scale fund collections was accelerated and public offering REITs were launched. Digitalized reformation accelerated business upgrades and ecological remodeling, and product innovation continued to show its vibrancy. All asset management institutions continued to build differentiated core competitive advantages, continuously strengthened comprehensive management capabilities, and effectively served the investment and financing needs of the real economy. According to the data from SAC, as of the end of December 2021, total size under entrusted management in the securities companies reached RMB10.88 trillion, representing an increase of 3.53% as compared with the end of 2020, and net income from asset management business of securities companies reached RMB31.786 billion, representing a year-on-year increase of 6.10%.

Actions and Achievements

In 2021, for asset management business, the Company focused on customer needs, continued to strengthen active management capabilities, accelerated the promotion of large-scale fund collections to public offerings, and continued to improve investment and research standards, product creation capabilities, pipeline marketing capabilities and compliance risk control efficiency. The Company effectively provided professional asset deployment and underlying asset evaluation services according to its own licenced advantages to form core strategy output and provided clients with comprehensive financial service solutions for the full life cycle and the full business chain. As of the end of the Reporting Period, according to the data from SAC, the asset management business of the Company ranked 23rd in terms of entrusted size and ranked 34th in terms of net income, showing significant improvement in industry ranking.

As of the end of the Reporting Period, the Company managed a total of 238 asset management schemes, and the entrusted funds of the asset management business amounted to RMB102.412 billion, representing a year-on-year increase of 169.28%. Among which, the size of asset securitization business amounted to RMB37.119 billion, representing a year-on-year increase of 2,262.76%.

The table below shows the details of size of asset management and operating income:

Category	Size of asset management (In RMB100 million) 2021	2020	Operating income (In RMB ten thousand by SAC standards) 2021	2020
Collective Asset Management Scheme	130.36	72.14	4,980.99	4,321.23
Single Asset Management Scheme	522.57	292.46	5,564.11	3,024.93
Specialized Asset Management Scheme	371.19	15.71	4,059.75	452.04
Total	1,024.12	380.32	14,604.86	7,798.20

Outlook for 2022

In 2022, the Company will continue to build the three core capabilities of the asset management business, namely asset deployment capabilities, product coverage and evaluation and risk control of products. It will deepen its asset deployment and pan-FOF platform construction, centering on the general direction of its 50 systems. It will build a multi-strategy product pool integrating public and private placements and provide long-term and stable product deployment services to promote the dual-wheel driver of flexible asset deployment + "general direction" product deployment.

The Company will gather and integrate the advantages of internal and external channels and customer resources. The Company will propel the steady growth of the entrusted asset management scale through those methods such as optimizing product structure, improving investment performance and strengthening sales service system, and will continue to create value and gain for customers. At the same time, the Company will accelerate the digitalized construction of asset management business, strengthen the construction of system platforms such as compliance and internal control, institutional services, investment and research integration to ensure stable business operation.

2. *Private Equity Investment Business*

The Company is engaged in private equity investment business through the equity investment fund under its wholly-owned subsidiary, Guolian Capital.

Market Environment

Under the situation of global epidemic normalization, the market of private equity fund has gradually recovered. According to statistics from CVSource, in 2021, a total of 9,350 funds in the private equity market had completed a new round of fundraising, representing a year-on-year increase of 70.53%. The investment size increased to US$233 billion, and the number of investment projects increased by 17% year-on-year. In terms of industry, the investment in energy, finance, construction materials, telecommunications, VR/AR, automobiles and other sectors increased sharply. Industries such as chips and medicine were still the major fund-financing sectors, and the popular concepts such as "metaverse" were also reacting quickly in the capital market. In terms of policies, new progress was seen frequently in the construction of country's multi-level capital market system. Pilot policies for QDLP and QFLP were implemented in various regions. With the establishment of the Beijing Stock Exchange and the approval of the transfer of private equity and venture capital shares in the Shanghai's regional equity market, the private equity investment market may continue to benefit.

Actions and Achievements

In 2021, on one hand, Guolian Capital actively promoted the withdrawal of existing fund projects, while accomplishing the management and service works of existing funds. On the other hand, Guolian Capital made every effort to develop incremental equity investment business by strengthening internal compliance management and strengthening business synergy. As of the end of the Reporting Period, Guolian Capital completed the registration 12 fund products in total and the filing of a total of 10 funds. Among which, 3 fund products with a size of RMB327 million were newly added in 2021.

Outlook for 2022

In 2022, Guolian Capital will continue to promote business development and team building. It will give full play to the aggregate functionality of financial resources, enlarge and strengthen fund management size. It will accomplish the investment management service works for established funds, conduct regular follow-up visits and continue to pay attention to the performance of invested companies and potential investment risks. It will maintain good communication with regulatory agencies, promote QDLP and QFLP qualifications applications and fund establishment according to policy guidance as well as window guidance. According to the latest policies requirements of SAC and business development requirements, it will improve the various systems, covering the entire process of fundraising, investment, management and withdrawal, and strengthen system support.

(IV) Credit Transaction Business

1. Margin Financing and Securities Lending

Market Environment

In 2021, the fluctuation of the balance of margin financing and securities lending in the A-share market showed a slightly upward trend. As of the end of the Reporting Period, the total balance of margin financing and securities lending amounted to RMB1,832.191 billion, representing a year-on-year increase of 13.17%, of which the balance of margin financing was RMB1,712.051 billion, and the balance of securities lending was RMB120.140 billion.

Actions and Achievements

During the Reporting Period, the Company focused on the cooperation opportunity with public equity to construct a system for the industry chain of securities lending and vigorously expanded the sources of securities lending, and adopted a dynamic stock index futures hedging strategy to actively increase the supply of securities sources for proprietary ETF. In view of frequent market credit business risks, the Company strengthened pre-warning risk alert through strengthening compliance risk control and management, and formulated a model plan for the conversion rate of guarantee securities and underlying securities for the margin financing and securities lending business, so as to reduce the probability of business risks, with no risk events occurred throughout the year.

As at the end of the Reporting Period, the total number of credit accounts of clients was 24,219, representing a year-on-year increase of 5.57%. The total credit amount of margin financing and securities lending of clients was RMB66.372 billion, representing a year-on-year increase of 16.03%. The closing balance of margin financing and securities lending was RMB10.407 billion, representing a year-on-year increase of 20.65%. Interest income from margin financing and securities lending was RMB613 million, representing a year-on-year increase of 41.24%.

Outlook for 2022

In 2022, the Company will focus on securities lending in terms of the margin financing and securities lending business, keep abreast of market business development trends, actively explore new ideas for business development, and facilitate the enhancement of business scale. It will make greater efforts to develop securities sources for state-owned legal persons and other corporate institutions and strategic placements. Through strengthening public offering fund agency sales and early deploying insurance companies, the Company will continue to lay a foundation for securities sources for special financial institutions, strengthen cooperation with business competitors, and expand its proprietary securities lending pool according to demand. It will refine the risk classification model of guaranteed securities to adjust the scope and conversion rate of collateral in a timely manner, and strictly control business risks. It will also actively establish a strategy research team to strengthen business strategy research, and continue to provide business training and experience exchange for branches, so as to improve its business professionalism and customer service capabilities.

2. Stock Pledged Repurchase

Market Environment

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly. Regulatory authorities continue to promote the prevention of stock pledged risks. Stock risk are basically under control, and the overall business scale of the market maintains a gradual declining trend. However, the pressure of risk prevention and resolution still existed. Currently, the polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability. However, the formation of stock pledged business risks is affected by a variety of factors and the prevention and resolution of stock pledged risks will take a long period of time and is complicated. A cautious attitude still needs to be maintained and credit risk management still needs to be further strengthened for self-funded stock pledged business.

Actions and Achievements

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and prudently and steadily conducted its business under the premise of stringent control and solving business risks. The risk project scale of stock pledged business of the Company was orderly reduced, and the risks were significantly resolved. The equity incentive financing-oriented option exercise business for listed companies were carried out smoothly, with continuous expansion in business scale, and this variety of financing instrument had become the main source of funds for the equity incentives of listed companies.

As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.815 billion, representing an increase of 23.74% as compared with RMB3.083 billion as at the end of 2020. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB2.289 billion, with an average performance guarantee ratio of 376.70%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.526 billion, with an average performance guarantee ratio of 405.53%. Moreover, as of the end of the Reporting Period, the financing amount of financing-oriented option exercise business of the Company was RMB480 million, representing an increase of 207.69% as compared with RMB156 million as at the end of 2020.

Outlook for 2022

In 2022, the Company will continue to strengthen the credit risk assessment system and model construction of stock pledge projects, enhance the risk management and control of the existing business, and conduct risk prediction for the incremental part in advance. Also, on the basis of the traditional model of its original self-funded stock pledge business, the Company will strengthen the market expansion of financing-oriented option exercise business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on customer actual needs such as the substantial shareholders and senior management of listed companies.

(V) Proprietary Trading Business

Market Environment

The global economy began to recover in 2021, however, the uncertainty of the epidemic and the impact of global supply chain still significantly undermined the global economy. From the perspective of the domestic situation, as affected by various factors such as real estate regulation and resurgence of epidemic, the downward pressure on China's economy had increased since the second half of 2021. Meanwhile, the A-share market has shown a momentum of transformation and intensified differentiation, and the volatility of indices, industries and individual stocks had increased significantly. The CSI 500 index rose by 15.6% as compared with that of the end of the previous year, while the CSI 300 index fell by 5.2% as compared with that of the end of the previous year.

With increasing downward pressure on macroeconomy and the marginal relaxation of monetary policy since July, the central bank had reduced the deposit reserve ratio twice by 1 percentage point in total, and the one-year LPR rate was reduced by 5BP in December. Against the above economic and policy context, the bond yields went up and then dropped in 2021. The valuation yield of 10-year China Treasury Bonds once climbed up to approximately 3.30% in the first quarter, and the fluctuation center dropped to approximately 3.10% in the second quarter, then gradually fell thereafter, and closed at a yearly low level of 2.78% at the end of the year.

Actions and Achievements

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking absolute return as the direction, adopted fundamental research as starting point, focused on under-valued industries and companies that had good growth potential, and developed the business steadily while taking risks and returns into consideration. In 2021, the equity proprietary trading business strengthened the research and judgment on the market direction and dynamics, actively deployed cyclical industry sectors, and conducted in-depth research and exploration of investment opportunities in high-growth emerging industries. The investment yield for the year significantly outperformed the CSI 300 index and the median level of the partial share mixed fund over the same period, achieving better investment returns.

For fixed income business, with customer needs as the fundamental, the Company has actively participated in business innovation, achieved stable investment returns under the premise of strictly controlling risk, and further increased its market influence. In 2021, as an investor, the Company actively participated in innovative businesses such as the issuance of short-term financing quotations by securities brokers, the underwriting and distribution of iDeal system bonds, and was honoured the Market Innovation Award among the outstanding member institutions in the inter-bank local currency market in 2021 selected by the National Interbank Funding Center. The Company had conducted in-depth research on and successfully released the “China Bond-Guolian Securities Yangtze Delta Select Short-term Bond Balance Index”, better serving the development strategy of integration of Yangtze River Delta region while meeting customer needs.

For equity derivatives business, the OTC derivatives business of the Company continued its development and innovation, business transaction models had been continuously enriched, transaction services and product design capabilities had been continuously enhanced, and transaction volume grew rapidly, which basically achieved full coverage of mainstream business products and transaction structures in the market. According to the operating income information of securities companies that based on counter-party transactions between counters and institutional clients released by SAC in 2021, the Company entered top 20 in the industry for the first time. In 2021, the cumulative notional principal of OTC option and income swaps signed in the year increased by 241% year-on-year.

Outlook for 2022

For equity proprietary trading business, the Company will continue to put greater efforts in research, expand the dimensions of fundamental research, improve investment system construction, strengthen market research and judgment, and develop stock investment business steadily. The domestic A-share market still has better structural opportunities against the context of stable macroeconomic growth. However, the industry valuations are significantly differentiated and market expectations are more aligned, which will lead to higher requirements for selecting and grasping opportunities. In 2022, the equity proprietary trading business of the Company will continue to aim at securing reasonable absolute returns, select individual stocks from the perspective of valuation and growth matching, and flexibly adopt position adjustment, futures and other methods to hedge periodic systemic risks, and continue to explore and develop various strategy investment systems such as private placement investment and convertible bond investment, so as to cope with various market conditions.

For fixed income business, the Company will continue to strengthen its investment and research capabilities, strengthen the rotation allocation of various major assets, strengthen the development of hedging and arbitrage strategies with small exposure and low volatility, strengthen the development of quantitative strategies and fixed income + strategies, and strengthen credit risk screening, and achieve a steady increase in profitability in a low-yield environment through strategy diversification and management refinement. The Company will continue to adhere to the business philosophy of "seller" fixed income with serving customers as the fundamental, and continue to expand and strengthen the capital intermediary business, with a view to provide customers with featured products and comprehensive demand solutions.

For equity derivatives business, the Company will continue to improve product supply and transaction services, gradually expand the scale of transaction services, and further enhance the comprehensive transaction service capabilities and product design capabilities of the Company.

(III) Financial Statements Analysis

1. Analysis on the Profitability of the Company during the Reporting Period

During the Reporting Period, the recovery of the domestic economy was sound, and the overall market trading sentiment of domestic securities market was vibrant. Following the A Shares IPO in 2020, the Company successfully completed the non-public issuance of A Shares, resulting in continuous expansion of capital strength and continuous innovation of new products and services, the overall business layout has become more reasonable, diversified and stable, and the profitability has grown rapidly.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB4,231.27 million, representing a year-on-year increase of 57.76%. Net profit attributable to shareholders of the Company amounted to RMB888.64 million, representing a year-on-year increase of 51.16%. Earnings per share amounted to RMB0.36, representing a year-on-year increase of 28.57%. The weighted average returns on net assets amounted to 7.27%, representing a year-on-year increase of 0.86 percentage point.

2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB65,939.24 million, representing an increase of 42.66% as compared to RMB46,219.95 million as at the end of 2020. Total liabilities amounted to RMB49,558.17 million, representing an increase of 39.11% as compared to RMB35,625.78 million as at the end of 2020. Equity attributable to shareholders of the Company amounted to RMB16,381.07 million, representing an increase of 54.62% as compared to RMB10,594.17 million as at the end of 2020.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB14,168.96 million, representing 21.49% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB13,749.47 million, representing 20.85% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB37,117.70 million, representing 56.29% of the total assets, and primarily included interests in associates and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB903.10 million, representing 1.37% of the total assets, and primarily included property and equipment, and intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, accounts receivable and other receivables, debt instruments at fair value through other comprehensive income. There was no evidence showing that other assets may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB38,375.59 million, representing a year-on-year increase of RMB12,077.01 million or 45.92%. The gearing ratio of the Group was 70.08%, representing a decrease of 1.20 percentage points from 71.28% as at the end of 2020 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 3.34 times, representing a decrease of 4.02% from 3.48 times as at the end of 2020 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

3. Financing Channels and Financing Capability

Through equity financing and various types of financing methods including debt financing, the Company continued to supplement its working capital and constantly enhancing its capital strengths to ensure the liquidity security of the Company. During the Reporting Period, the Company raised funds a total of RMB5.09 billion through the non-public issuance of A Shares, and cumulatively added RMB14.555 billion through various debt financing instruments (excluding inter-bank borrowing transactions and issued floating-income type income certificates), and repaid the principal of matured debt financing of RMB10.075 billion cumulatively. The remaining amount of outstanding debt financing of the Company at the end of 2021 was RMB18.34 billion in total. The average interest rate level of new debt financing decreased compared with previous years. In addition, there was outstanding inter-bank credit lending of RMB 400 million, and the subsidiary in Hong Kong borrowed US$6 million from overseas financial institutions.

4. Liquidity Management Information of the Company

The Company has always paid great attention to liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic integration of the security, liquidity and profitability of capital, so as to ensure the safety and control of the overall liquidity of the Company. The Asset and Liability Committee of the Company is responsible for the overall planning of asset and liability deployment and structure, and equipped with a sound management system and corresponding business processes for management. In light of the development of the market and industry and combined with the Company's strategic deployment and actual situation, asset and liability deployment are analysed multi-dimensionally with constant optimization of asset and liability deployment, ensuring that the scale and term structure of assets and liabilities meet business development while maintaining appropriate high-quality liquid assets. The Company has established sound liquidity risk management system to strengthen the monitoring and control of daily liquidity situation and liquidity risk, and keep abreast of the demand for and application of funds in a timely manner. It regularly submitted liquidity monitoring statement and analysis of changes. At the same time, the Company assessed its liquidity pressure under extreme conditions through liquidity risk stress tests, so as to ensure the liquidity monitoring indicators in every period continued to meet the regulatory requirements. It made liquidity contingency plans to prevent sudden liquidity risks.

During the Reporting Period, the overall liquidity risk of the Company was controllable and remained at a more secured level.

5. Cash Flows

As the Group's cash outflow generated from the operating activities and investing activities in the current year was more than the cash inflow from financing activities, the net increase in cash and cash equivalents was RMB-4,001.19 million.

Net cash flows from operating activities in 2021 was RMB-6,854.69 million, representing a year-on-year decrease of RMB1,483.85 million as compared with RMB-5,370.84 million for the corresponding period in 2020. Net cash flows from investing activities in 2021 was RMB-6,322.03 million, representing a year-on-year decrease of RMB4,989.38 million as compared with RMB-1,332.65 million for the corresponding period in 2020. Net cash flows from financing activities in 2021 was RMB9,175.54 million, representing a year-on-year increase of RMB38.63 million as compared with RMB9,136.91 million for the corresponding period in 2020. Net increase in cash and cash equivalents in 2021 was RMB-4,001.19 million, representing a year-on-year decrease of RMB6,434.61 million as compared with RMB2,433.42 million for the corresponding period of 2020.

6. Analysis of Financial Data

(1) Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB1,173.37 million, representing a year-on-year increase of 48.92%. The key financial results are as follows:

Unit: in RMB million

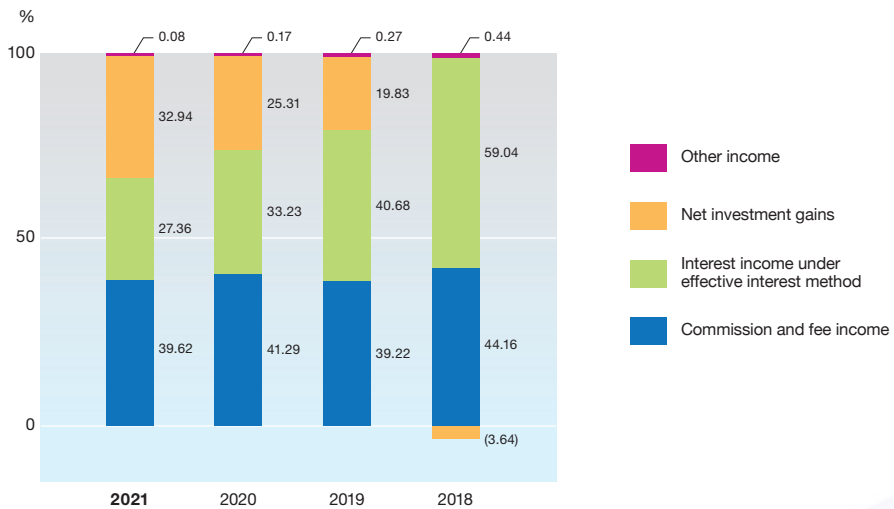
Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Revenue				
Commission and fee income	1,676.44	1,107.42	569.02	51.38%
Interest income under effective interest method	1,157.63	891.16	266.47	29.90%
Net investment gains	1,393.65	678.86	714.79	105.29%
Other income	3.55	4.59	–1.04	–22.66%
Total revenue, net investment gains and other income	4,231.27	2,682.02	1,549.25	57.76%
Total expenses	3,059.60	1,905.09	1,154.51	60.60%
Profit before income tax	1,173.37	787.92	385.45	48.92%
Income tax expense	284.73	200.05	84.68	42.33%
Profit for the year	888.64	587.87	300.77	51.16%
Net profit attributable to shareholders of the Company	888.64	587.87	300.77	51.16%

Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB4,231.27 million, representing a year-on-year increase of 57.76%, among which, 39.62% was generated from commission and fee income, representing a year-on-year decrease of 1.67 percentage points; 32.94% was generated from net investment gains, representing a year-on-year increase of 7.63 percentage points; 27.36% was generated from interest income under effective interest method, representing a year-on-year decrease of 5.87 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2021	2020	2019	2018
Commission and fee income	39.62%	41.29%	39.22%	44.16%
Interest income under effective interest method	27.36%	33.23%	40.68%	59.04%
Net investment gains	32.94%	25.31%	19.83%	–3.64%
Other income	0.08%	0.17%	0.27%	0.44%
Total	100.00%	100.00%	100.00%	100.00%

The bar chart below shows the structure comparison:



From the changes in revenue structure, the Company adhered to the prudent value investment strategy, closely followed market changes, proactively participated in business innovation, enriched trading varieties and optimized investment portfolios, and hence the proportion of net investment gains increased significantly. The Company enhanced customer asset introduction and made solid progress in product sales to deepen wealth management transformation, and as a result, the proportion of commission and fee income remained stable. Under the premise of strictly controlling risks, the Company vigorously enlarged the scale of margin financing business while orderly controlling the scale of stock pledge business, and its interest income continued to decrease.

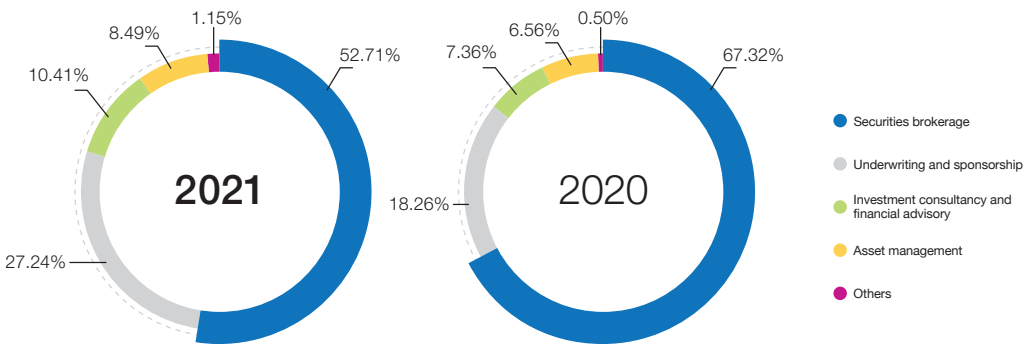
Commission and fee income

During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	883.57	745.46	138.11	18.53%
Underwriting and sponsorship	456.71	202.24	254.47	125.83%
Investment consultancy and financial advisory	174.58	81.51	93.07	114.18%
Asset management	142.25	72.68	69.57	95.72%
Others	19.33	5.53	13.80	249.55%
Total commission and fee income	1,676.44	1,107.42	569.02	51.38%
Commission and fee expenses	330.87	231.93	98.94	42.66%
Net commission and fee income	1,345.57	875.49	470.08	53.69%

The Group's commission and fee income consists of:



During the Reporting Period, commission and fee income of the Group amounted to RMB1,676.44 million, representing a year-on-year increase of 51.38%. Income from underwriting and sponsorship, investment consultancy and financial advisory as well as asset management increased significantly.

The investment banking equity and debt financing business went hand in hand, with an underwriting scale of RMB56.6 billion, representing a year-on-year increase of 76%. The business structure became more balanced, and underwriting and sponsorship income from investment banking business increased by RMB254.47 million, representing a year-on-year increase of 125.83%. Adhering to the basis of expansion of customer coverage and the core of value discovery and value realization, the Company promoted fund investment advisory business and listing business, and completed daily supervision work. Income from investment consultancy and financial advisory increased by RMB93.07 million, representing a year-on-year increase of 114.18%.

In terms of asset management business, the Company continued to strengthen its active management capabilities with entrusted assets exceeded RMB100 billion, representing a year-on-year increase of 169%, and income from asset management increased by RMB69.57 million year-on-year, representing an increase of 95.72%.

In 2021, the securities market became more active, as a result, the transaction volume of stocks and funds increased by 25% year-on-year. The Company enhanced the introduction of client assets, and the market share of stocks and funds increased steadily, and the commission and fee income generated from securities brokerage business increased by RMB138.11 million, representing a year-on-year increase of 18.53%.

Interest income under effective interest method

During the Reporting Period, net interest income of the Group amounted to RMB215.75 million, representing a year-on-year decrease of 29.41%. The Group's interest income under effective interest method for 2021 consists of the following:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	265.18	275.40	–10.22	–3.71%
Interest income from financial assets held under resale agreements	142.42	169.00	–26.58	–15.73%
Interest income from margin financing	608.86	428.69	180.17	42.03%
Interest income from debt instruments at fair value through other comprehensive income	141.17	18.08	123.09	680.81%
Total interest income under effective interest method	1,157.63	891.16	266.47	29.90%
Interest expenses	941.88	585.53	356.35	60.86%
Net interest income	215.75	305.63	–89.88	–29.41%

The Company seized market opportunities, actively adjusted trading strategies, innovated business models and enriched trading varieties, the interest income from debt instruments at fair value through other comprehensive income increased by RMB123.09 million, or 680.81% year-on-year;

The Company continuously improved its professionalism and customer service capabilities with customer needs as the core. The scale of margin financing increased constantly and interest income from margin financing increased by RMB180.17 million, or 42.03% year-on-year;

The Company carried out businesses prudently and steadily under the premise of strictly controlling and resolving business risks, and as a result, the interest income from financial assets held under resale agreements decreased by RMB26.58 million, or 15.73% year-on-year;

The Company fully supported the growth of business scale and expanded financing channels, the interest expenses increased by RMB356.35 million, or 60.86% year-on-year.

Net investment gains

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB1,393.65 million, representing a year-on-year increase of 105.29%. The Group's net investment gains for 2021 consist of the following:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Net realised gains from disposal of an associate	0.01	0.00	0.01	–
Realised gains from disposal of financial assets at fair value through profit or loss	232.29	183.61	48.68	26.51%
Realised losses from disposal of financial liabilities at fair value through profit or loss	–50.40	–6.04	–44.36	–
Realised gains/(losses) from disposal of financial assets at fair value through other comprehensive income	23.34	–3.05	26.39	–
Dividend income from equity instruments at fair value through other comprehensive income	161.42	0.00	161.42	–
Distribution to interest holders of consolidated SEs	-1.01	–44.37	43.36	–
Interest income from financial instruments at fair value through profit or loss	570.93	405.06	165.87	40.95%
Dividends from financial instruments at fair value through profit or loss	34.02	14.96	19.06	127.41%
Net realised gains from derivative financial instruments	243.54	41.41	202.13	488.12%
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	121.65	126.06	–4.41	–3.50%
– Derivative financial instruments	70.61	–43.22	113.83	–
– Financial liabilities at fair value through profit or loss	–12.74	4.44	–17.18	–
Total	1,393.65	678.86	714.79	105.29%

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB1,786.85 million, representing a year-on-year increase of 64.29%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	1,255.05	700.44	554.61	79.18%
Depreciation and amortization	174.06	159.79	14.27	8.93%
Other operating expenses	328.15	215.18	112.97	52.50%
Impairment losses under expected credit loss model, net of reversal	29.60	12.21	17.39	142.42%
Total	1,786.85	1,087.62	699.23	64.29%

The Company strengthened its risk management while expanding its business scale, the impairment losses under expected credit loss model, net of reversal of the Company was RMB29.60 million, details of which are as follows:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	5.26	1.57	3.69	235.03%
Financial assets held under resale agreements	–8.33	3.68	–12.01	–
Accounts receivable and other receivables	–0.03	1.84	-1.87	–
Debt instruments at fair value through other comprehensive income	32.70	5.13	27.57	537.43%
Total	29.60	12.21	17.39	142.42%

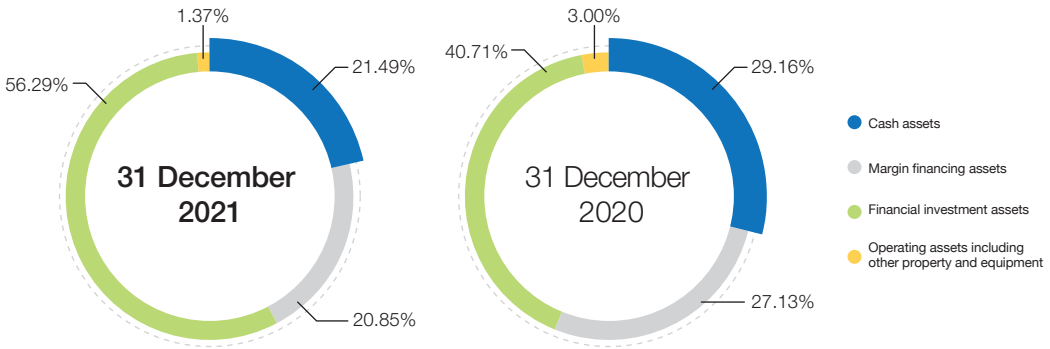
(2) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB65,939.24 million, representing a year-on-year increase of 42.66%, among which, cash assets amounted to RMB14,168.96 million, representing a year-on-year increase of 5.12%, margin financing assets amounted to RMB13,749.47 million, representing a year-on-year increase of 9.64%, financial investment assets amounted to RMB37,117.70 million, representing a year-on-year increase of 97.27%, and operating assets including other property and equipment amounted to RMB903.10 million, representing a year-on-year decrease of 34.80 %. Changes in the Group's assets items are as follows:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Total assets				
Cash assets	14,168.96	13,478.63	690.33	5.12%
Margin financing assets	13,749.47	12,540.59	1,208.88	9.64%
Financial investment assets	37,117.70	18,815.68	18,302.02	97.27%
Operating assets including other property and equipment	903.10	1,385.06	–481.96	–34.80%
Total	65,939.24	46,219.95	19,719.29	42.66%

The composition of the Group' total assets:



Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB690.33 million or 5.12% year-on-year, representing 21.49% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	10,573.55	10,730.38	–156.83	–1.46%
Clearing settlement funds	3,268.12	2,511.61	756.51	30.12%
Refundable deposits	327.30	236.64	90.66	38.31%
Total	14,168.96	13,478.63	690.33	5.12%

Due to the robust activity of the securities market had increased in 2021, the Company strengthened the introduction of client assets, and the size of client deposits increased year-on-year.

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB1,208.88 million or 9.64% year-on-year, representing 20.85% of the Group's total assets. The Group's margin financing assets consist of the following:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Margin financing assets				
Margin accounts receivable	10,791.34	8,413.07	2,378.27	28.27%
Financial assets held under resale agreements	2,958.13	4,127.52	–1,169.39	–28.33%
Total	13,749.47	12,540.59	1,208.88	9.64%

The Company seized market opportunities and proactively promoted the growth of margin financing and securities lending business under the premise of controlling risks, and as a result, the margin accounts receivable increased by RMB2,378.27 million or 28.27% year-on-year.

The Company carried out businesses prudently under the premise of strictly controlling risks, and as a result, financial assets held under resale agreements decreased by RMB1,169.39 million or 28.33% year-on-year.

Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB18,302.02 million or 97.27% year-on-year, representing 56.29% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Financial investment assets				
Interests in associates	102.92	104.90	–1.98	–1.89%
Financial assets at fair value through profit or loss	27,710.09	16,955.09	10,755.00	63.43%
Equity instruments at fair value through other comprehensive income	2,579.20	0.00	2,579.20	–
Debt instruments at fair value through other comprehensive income	6,240.45	1,678.04	4,562.41	271.89%
Derivative financial assets	485.04	77.65	407.39	524.65%
Total	37,117.70	18,815.68	18,302.02	97.27%

The Company closely followed market trends, proactively participated in business innovation, enriched trading varieties and optimized portfolio structure and hence the financial investment assets achieved significant growth.

Operating assets including other property and equipment

As at the end of the Reporting Period, operating assets including other property and equipment of the Group recorded a year-on-year decrease of RMB481.96 million or 34.80%, which accounted for 1.37% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Operating assets including other property and equipment				
Property and equipment	95.84	88.75	7.09	7.99%
Intangible assets	57.76	59.15	–1.39	–2.35%
Right-of-use assets	165.63	177.56	–11.93	–6.72%
Deferred tax assets	24.55	36.96	–12.41	–33.58%
Other current assets and other non-current assets	559.32	1,022.65	–463.33	–45.31%
Total	903.10	1,385.06	–481.96	–34.80%

Other current assets and other non-current assets decreased by RMB463.33 million or 45.31% year-on-year due to the decrease of margin deposits of derivative contracts.

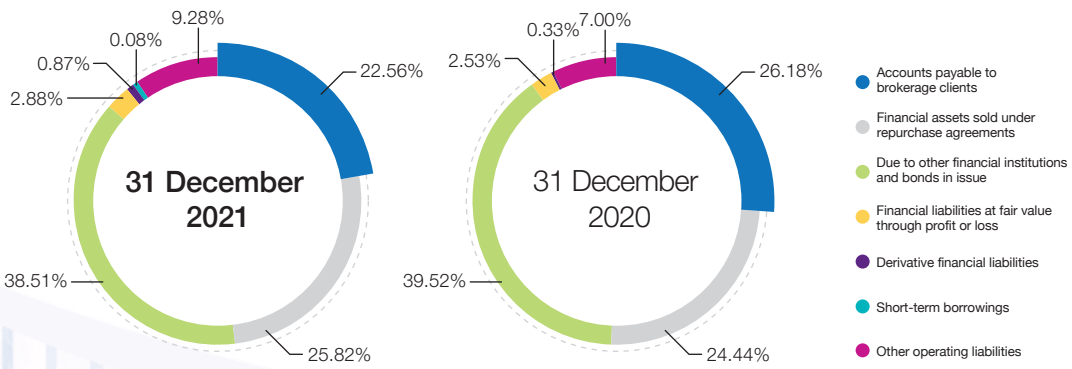
(3) *Liabilities*

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB49,558.17 million, representing a year-on-year increase of RMB13,932.39 million or 39.11%, of which due to other financial institutions and bonds in issue amounted to RMB19,082.73 million, representing a year-on-year increase of 35.53%; financial assets sold under repurchase agreements amounted to RMB12,796.01 million, representing a year-on-year increase of 46.95%; accounts payable to brokerage clients amounted to RMB11,182.58 million, representing a year-on-year increase of 19.89%; other operating liabilities amounted to RMB4,598.10 million, representing a year-on-year increase of 84.28%. Changes in the Group's liabilities items are as follows:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Liabilities				
Accounts payable to brokerage clients	11,182.58	9,327.20	1,855.38	19.89%
Financial assets sold under repurchase agreements	12,796.01	8,707.70	4,088.31	46.95%
Due to other financial institutions and bonds in issue	19,082.73	14,079.83	5,002.90	35.53%
Financial liabilities at fair value through profit or loss	1,429.71	899.28	530.43	58.98%
Derivative financial liabilities	430.77	116.58	314.19	269.51%
Short-term borrowings	38.27	0.00	38.27	–
Other operating liabilities	4,598.10	2,495.19	2,102.91	84.28%
Total	49,558.17	35,625.78	13,932.39	39.11%

The composition of the Group's total liabilities:



Financial liabilities at fair value through profit or loss

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Financial liabilities at fair value through profit or loss				
Interests of other holders in consolidated SEs	458.15	587.29	–129.14	–21.99%
Income certificates with variable interests	971.56	311.99	659.57	211.41%
Total	1,429.71	899.28	530.43	58.98%

The Company continued to innovate its business model and enriched trading varieties and hence the income certificates with variable interests increased by RMB659.57 million or 211.41% year-on-year.

Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Due to other financial institutions and bonds in issue				
Due to other financial institutions	850.32	300.07	550.25	183.37%
Bonds in issue	18,232.42	13,779.76	4,452.66	32.31%
Total	19,082.73	14,079.83	5,002.90	35.53%

Due to other financial institutions and bonds in issue increased by RMB5,002.90 million or 35.53% year-on-year, which was attributable to the Company's expansion in its financing channels to fully support the growth of its business scale.

Other operating liabilities

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Other operating liabilities				
Salaries, bonus, allowances and benefits payable	584.24	338.24	246.00	72.73%
Lease liabilities	166.79	175.64	–8.85	–5.04%
Deferred tax liabilities	90.88	0.00	90.88	–
Other current liabilities and other non-current liabilities	3,756.19	1,981.31	1,774.88	89.58%
Total	4,598.10	2,495.19	2,102.91	84.28%

Salaries, bonus, allowances and benefits payable increased by RMB246.00 million or 72.73% year-on-year;

Other current liabilities and other non-current liabilities increased by RMB1,774.88 million or 89.58% year-on-year, mainly attributable to the development of OTC derivatives business and margin deposits of derivative contracts increased.

(4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB16,381.07 million, representing a year-on-year increase of 54.62%. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Share capital	2,831.77	2,378.12	453.65	19.08%
Share premium	8,189.05	3,659.71	4,529.34	123.76%
Reserves	2,476.72	2,061.63	415.09	20.13%
Retained earnings	2,883.53	2,494.71	388.82	15.59%
Total	16,381.07	10,594.17	5,786.90	54.62%

During the Reporting Period, the Company completed the non-public issuance of A shares, with a year-on-year increase of RMB4,982.99 million in the share capital and share premium.

(5) Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) asset management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) brokerage and wealth management, (ii) credit transaction, (iii) investment banking, (iv) proprietary trading, (v) asset management and investment; and (vi) other business. We report financial results of the business lines under these six business segments.

The following table sets forth our segment revenue, net investment gains and other income (including inter-segment revenue) for the years indicated:

	2021 (in RMB million)	Percentage %	2020 (in RMB million)	Percentage %
Brokerage and wealth management	1,156.77	27.34	938.97	35.01
Credit transaction	733.93	17.35	581.13	21.67
Investment banking	591.25	13.97	362.45	13.51
Proprietary trading	1,317.96	31.15	675.02	25.17
Asset management and investment	261.43	6.18	104.21	3.88
Other business	202.00	4.77	70.24	2.62
Eliminations	–32.07	–0.76	–50.00	–1.86
Total	4,231.27	100.00	2,682.02	100.00

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2021 (in RMB million)	Percentage (%)	2020 (in RMB million)	Percentage (%)
Brokerage and wealth management	798.40	26.10	600.34	31.51
Credit transaction	437.31	14.29	354.00	18.58
Investment banking	457.70	14.96	256.47	13.46
Proprietary trading	657.35	21.48	253.77	13.32
Asset management and investment	146.51	4.79	54.45	2.86
Other business	575.75	18.82	394.30	20.70
Eliminations	–13.42	–0.44	–8.24	–0.43
Total	3,059.60	100.00	1,905.09	100.00

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated:

	2021 (in RMB million)	Percentage (%)	2020 (in RMB million)	Percentage (%)
Brokerage and wealth management	363.79	31.00	341.46	43.34
Credit transaction	296.62	25.28	227.13	28.83
Investment banking	132.08	11.26	108.79	13.81
Proprietary trading	660.07	56.26	421.27	53.46
Asset management and investment	114.92	9.79	50.01	6.34
Other business	–375.47	–32.00	–318.97	–40.48
Eliminations	–18.65	–1.59	–41.76	–5.30
Total	1,173.37	100.00	787.92	100.00

7. Reasons for and Impact of Changes in Accounting Policies, Accounting Estimation or Correction of Significant Accounting Errors

During the Reporting Period, there were no changes in accounting policies, accounting estimation and correction of significant accounting errors of the Company.

8. Contingent Liabilities, Capital Commitments and Pledge of Capital

There was no contingent liabilities, capital commitments or pledge of capital during the Reporting Period.

(IV) Changes in Branches and Subsidiaries of the Company and Their Impact on Results

1. Branches

(1) Establishment and Changes of Securities Branches

1 Newly-established Securities Branches

During the Reporting Period, the Company established four new branches, namely Shantou Zhugang New Town Songshan Road Securities Branch (汕頭珠港新城嵩山路證券營業部), Shenzhen Tairan Nine Road Securities Branch (深圳泰然九路證券營業部), Shenzhen Yuehai Street Science and Technology Park Securities Branch (深圳粵海街道科技園證券營業部) and Shanghai Guangdong Road (上海廣東路證券營業部), respectively.

2 Relocation of Securities Branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocations of Wuxi Luoshe Town Renmin South Road Securities Branch (無錫洛社鎮人民南路證券營業部), Shenzhen Yitian Road Securities Branch (深圳益田路證券營業部), Shanghai Tianlin East Road Securities Branch (上海田林東路證券營業部), Beijing Zhongguancun East Road Securities Branch (北京中關村東路證券營業部), Beijing Jinbao Street Securities Branch (北京金寶街證券營業部), Shanghai Hongqiao Road Securities Branch (上海虹橋路證券營業部), Nanjing Hexi Street Securities Branch (南京河西大街證券營業部) and Nanjing Lishui Shiyan Road Securities Branch (南京溧水石燕路證券營業部) within the same city were completed.

3 De-registration of Securities Branches

During the Reporting Period, the Company de-registered five branches, namely Susong Fuyu West Road Securities Branch (宿松孚玉西路證券營業部), Guilin Binjiang Road Securities Branch (桂林濱江路證券營業部), Nanning Minzu Avenue Securities Branch (南寧民族大道證券營業部), Nanchang Beijing East Road Securities Branch (南昌北京東路證券營業部) and Changzhou North Main Street Securities Branch (常州北大街證券營業部), respectively.

(2) Establishment and Changes of Branch Offices

1 Establishment of Branch Offices

During the Reporting Period, the Company did not establish any new branch office.

2 Relocation of Branch Offices

The Company constantly adjusted and optimized its branch offices layout. During the Reporting Period, the relocations of Suzhou Branch Office, Beijing Branch Office, Shanghai Branch Office and Changzhou Branch Office within the same city were completed.

3 De-registration of Branch Offices

During the Reporting Period, the Company de-registered Subei Branch Office (蘇北分公司).

2. Subsidiaries

During the Reporting Period, there was no change in the subsidiaries of the Company.

3. Impact on Results

In 2021, the above matters had no material impact on the results of the Company.

(V) Major Investment and Financing Activities

1. Equity Financing

The Company completed the non-public Issuance of A shares to a total of 23 institutional investors (excluding any connected persons of the Company and none of the target subscribers who will become Substantial Shareholders of the Company upon completion of the subscription) on 15 October 2021, with the issuance of 453,654,168 Shares in total and the gross proceeds raised was RMB5.09 billion.

2. Debt Financing

In 2021, the cumulative additional credit debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB14.555 billion, and the cumulative principal repayment of debt financing matured amounted to RMB10.075 billion. The remaining principal amount of outstanding debt financing of the Company as at 31 December 2021 was RMB18.34 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB0.4 billion and an outstanding borrowing of US$6 million in respect of a wholly-owned subsidiary in Hong Kong.

The remaining amount of various outstanding credit indebtedness was as follows:

(1). The new public issuance of corporate bonds to professional investors was RMB6.0 billion during the Reporting Period. The outstanding public issuance of corporate bonds to professional investors as at 31 December 2021 was RMB7.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of corporate bonds to professional investors	150,000	2020/4/15	2022/4/15	730	2.88%
	100,000	2021/3/15	2024/3/15	1,096	3.70%
	150,000	2021/5/12	2024/5/12	1,096	3.59%
	150,000	2021/6/7	2023/6/7	730	3.27%
	100,000	2021/6/28	2024/6/28	1,096	3.65%
	100,000	2021/8/30	2024/8/30	1,096	3.29%

(2). The new issuing amount of privately issued corporate bonds was RMB2.5 billion during the Reporting Period. The outstanding private issuance of corporate bonds as at 31 December 2021 were RMB5.8 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of corporate bonds	80,000	2020/1/16	2023/1/16	1,096	4.13%
	150,000	2020/3/11	2023/3/11	1,095	3.60%
	100,000	2020/10/15	2022/10/15	730	4.07%
	100,000	2021/9/22	2023/9/22	730	3.40%
	150,000	2021/11/22	2024/11/22	1,096	3.50%

(3). The private issuance of subordinated bonds, with the principal of RMB1.5 billion being repaid during the Reporting Period. The outstanding subordinated bonds as at 31 December 2021 were RMB2.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of subordinated bonds	80,000	2019/3/27	2022/3/27	1,096	4.74%
	70,000	2020/3/5	2023/3/5	1,095	4.25%
	100,000	2020/11/26	2022/11/26	730	4.70%

(4). The new public issuance of short-term corporate bonds to professional investors was RMB2.0 billion, with the principal of RMB1.0 billion being repaid during the Reporting Period. The remaining amount of the outstanding short-term corporate bonds as at 31 December 2021 was RMB2.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of short-term corporate bonds to professional investors	100,000	2021/4/13	2022/2/16	309	3.10%
	100,000	2021/7/26	2022/6/30	339	2.75%

(5). The new issuance of inter-bank securities corporate short-term financing bonds was RMB1.0 billion during the Reporting Period, with the principal of RMB3.0 billion being repaid, there was no outstanding securities corporate short-term financing bonds as at 31 December 2021;

(6). The new issuing amounts of fixed-income type income certificates were RMB1.555 billion during the Reporting Period, with the principal of RMB3.225 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2021 were RMB90 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Fixed-income type income certificates	4,000	2021/7/9	2022/1/9	185	3.00%
	2,000	2021/8/20	2022/2/20	185	3.00%
	3,000	2021/12/31	2022/3/2	62	2.70%

(7). The additional refinancing facilities were RMB1.5 billion during the Reporting Period, with the principal of RMB1.35 billion being repaid. The remaining amount of the outstanding refinancing facilities as at 31 December 2021 was RMB450 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Refinancing	30,000	2021/12/28	2022/3/29	91	2.80%
	15,000	2021/12/28	2022/3/29	91	2.80%

3. Equity Investment

During the Reporting Period, the Company did not conduct any material equity investment.

(VI) Disposal of Material Assets, Acquisition, Replacement, Spin-off and Reorganization of Other Companies

During the Reporting Period, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

II. Discussion and Analysis of the Board on the Future Development of the Company

(I) Industry layout and trend

The global economy continued its recovery in 2021 but was still affected seriously by the uncertainty of the epidemic and the impact of global supply chain. Moving into 2022, the global recovery momentum has weakened, and is characterized by structural differentiation. According to the latest World Economic Outlook Report released by IMF, the global economic growth is forecast to grow by 4.4% in 2022, 0.5 percentage point lower than the previous forecast, and output of advanced economies is expected to resume to their pre-pandemic trend this year, but part of emerging markets and developing economies may take longer to recover. The differentiation in recovery had led to policy differentiation, and as inflation rises, the expectation of the FED to increase interest rates in 2022 was further clarified. The rate hikes imposed by the FED may have a great impact on global risk preference, monetary policies of various countries and global asset pricing.

Since the second half of 2021, affected by multiple factors such as real estate regulation and unpredictable epidemics, China's economy has experienced significant downward pressure. The Central Economic Working Conference pointed out clearly that "China's economic development is facing triple pressures of shrinking demand, supply shocks, and weakening expectations" in the short run, and the economic works in 2022 must be carried out "in a stable pace".

High-quality development is the main theme of the economic development of China in future. The Fifth Plenary Session of the 19th Central Committee of the Party proposed to "persistently focus on the development of the economy on the real economy, unswervingly build China into a strong manufacturing powerhouse, a quality powerhouse, a cyber powerhouse and a digital China, promote the level of its industrial foundation and the modernization of the industrial chain and enhance the economic quality and efficiency and core competitiveness". Under this background, high-end manufacturing industries, led by semiconductor chips, bio-pharmaceuticals, artificial intelligence and other industries, will become the main driving forces for future economic development.

With the new economic concepts of China's economy replacing the old and the transformation of its development model, equity assets are expected to usher in a golden age. Residents' wealth deployment will be more targeted to the capital market, and the development trend of Pan-wealth management has been established. Against this background, the securities industry has also seen a new development trend. The main licensed businesses of securities companies have basically formed a consensus on transformation: from channel-type investment banks to industrial-type investment banks, using industrial thinking to promote corporate capital operations; from brokerage business to wealth management, to meet the growing needs of customers for investment and wealth inheritance; from channel asset management to active management, giving play to the function of value discovery; and from self-operating mode to transaction intermediary, to become a supplier of market liquidity and solutions.

From the perspective of the competitive layout of the securities industry, affected by the homogeneity of business models, the securities industry in China is currently relatively fragmented as compare to the more developed markets. In 2020, the total realized profits of the top 3 companies accounted for 25% of the entire industry, but industry concentration is increasing year by year. As the leading securities companies have strong capital strength, solid customer base, and professional manpower team, their relative competitive advantages are becoming more and more obvious. The entire industry layout has shown an oligarchic situation in which leading companies are becoming stronger and stronger, and competitive pressure for small and medium-sized securities companies may be further increased.

However, as a regional securities broker, the reform of the registration system is expected to bring more business opportunities. Under the registration system, the IPO review speed is accelerated, the expansion of capital market scale is boosted, and the investment banking business shows an overall growth trend. At the same time, it also brings more direct investment and follow-up investment business opportunities for securities companies. The registration system reform has brought more opportunities for small– and medium-sized emerging securities brokers. Since the implementation of the registration system, a large proportion of incremental projects have come from small– and medium-sized technology companies, and such projects are usually undertaken by small– and medium-sized securities brokers with regional characteristics. At the same time, the integration of the Yangtze River Delta has been escalated to a top national strategy, local securities brokers are expected to gain more business opportunities in participating in and serving the integration construction of the Yangtze River Delta.

(II) Corporate development strategy

Our future corporate strategic positioning is to focus on further serving the real economy and strive to become a leading customer-oriented investment bank that provides comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional market and even the national market (in certain sectors), thus contributing to the economic and social development of Wuxi and Southern Jiangsu district.

(III) Business plans

In 2022, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Company will continue to further integrate the core innovation-driven strategy and the leading strategy of city development through industry in Wuxi, and integrate the national strategy of "Integration of Yangtze River Delta Region". Through following the key trend of "Peak Carbon Dioxide Emissions and Carbon Neutrality" and the new economic concepts of economic growth replacing the old, the Company will seize the opportunities of industrial reform and industry transformation, with a view to lift competitiveness and market position to new levels. The Company will speed up in providing remedies to its business weaknesses, improve its professional capabilities, and create its own characteristics in certain niche areas. Through continuous improvement of the middle-back end management and learning from the best practices both domestically and abroad, it will build a professional and efficient business support platform. The Company further deepen the market-oriented reform, establish and improve the systems, mechanisms and company culture that are conducive to the long-term development of the Company.

(IV) Capital needs

With the continuous and stable development of the Company's various business scales, the overall financing needs have increased. During the Reporting Period, a total of RMB5.09 billion funds was raised through the non-public issuance of A Shares. Through debt financing (excluding inter-bank borrowing transactions and issuance of floating yield income certificates), the Company cumulatively obtained the principal amounts of RMB14.555 billion, and recorded a cumulative principal repayment of maturing debt financing of RMB10.075 billion, with a net increase of RMB4.48 billion in the balance of debt financing as compared with that of the end of the previous year. In future, the Company will continue to improve its overall capital deployment efficiency and keep on exploring new financing products and models and expand financing channels to ensure the capital needs of business development. It will also arrange the size and structure of liabilities scientifically, maintain a reasonable and sound leverage level and strengthen risk awareness to prevent liquidity risks and ensure liquidity security.

(V) Analysis of Competitiveness

1. Unique Regional Advantages

Wuxi, Southern Jiangsu and the Yangtze River Delta region is one of the regions with the largest domestic economy capacity, most vibrant economy, highest quality of development, and largest number of listed companies and high-net-worth individuals. The total GDP of the Yangtze River Delta region accounts for nearly 25% of China, the total GDP of Jiangsu Province exceeds RMB10 trillion, and that of Wuxi exceeds RMB1 trillion. The customers and markets of securities companies are extremely broad. As the main birthplace of modern national industry with strong base for manufacturing industry, and one of the national innovation pilot cities and the national independent innovation demonstration cities in Southern Jiangsu, Wuxi has established its industrial clusters in strategic emerging industries such as integrated circuits, medicine and health, and the Internet of Things. Under the construction of a new domestic and international "dual-circulation" development layout, all these industries have good development opportunities. As a regional securities broker, the Company enjoys the natural advantage in serving regional enterprises. As an important strategic fulcrum for the integration of the Yangtze River Delta region, Wuxi has unique regional advantages due to its premier central location, dual-belt linkage and geographic cross-intersection. In the future, it has tremendous potential in connecting regional integration, provincial integration and Suzhou-Wuxi-Changzhou integration, and the Company will also play a more important role.

2. A+H Shares Listing in the PRC and in Hong Kong Improved Our Market Competition and Risk Resistance Capability

The Company's H shares were listed on the Main Board of the HK Stock Exchange on 6 July 2015, and its A Shares were listed on the Main Board of the Shanghai Stock Exchange on 31 July 2020. The Company is the 13th company in the domestic securities industry with a dual listing status on both the A+H markets. Through the listing in both the A+H markets, the Company has effectively improved its capital strength, laid a solid foundation for business scale expansion and market risks resistance, significantly improved its brand influence and market competitiveness, and opened up the long-term financing channels in the two capital markets, which are beneficial to further introducing strategic investors and reducing the comprehensive financing costs of the Company in future.

3. Management Team with Extensive Industry Experience

The senior management team of the Company has extensive management experience, outstanding management abilities and forward-looking strategic thinking in securities and financial services industry. They are able to understand profoundly the development trend of the industry and the market, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently and scientifically. In particular, the experience of the management team in the overseas and cross-border business sectors will help the Company accelerating the pace of international development and opening up new areas of business growth. Under the leadership of the team, the Company will build the industry-leading development philosophy and management processes according to the best market practices, and accelerate its development to become an investment bank with modern management mechanisms.

4. Sound and Highly Efficient Operation Management and Prudent Risk Control

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source, and achieved years of profitability successively. Of the securities companies in the PRC, since its inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company kept on improving its compliance management and risk management system to ensure the Company's standardized operation and stable development.

The Company strictly upholds its compliance baseline and earnestly implements the requirements of regulatory authorities. The Company continues to revise and improve its compliance management system, implement various control measures and enhance compliance assessment to ensure compliance management responsibilities are in place. By learning from the best practices in the industries, the Company also actively builds high-standard and high-quality internal credit evaluation systems and risk management systems to prevent and resolve business risks in a timely manner. At the same time, the Company strengthens the performance guarantee of compliance risk control personnel. The Company adheres to the principle of "risk measurable, controllable and tolerable" to carry out innovative business prudently, strictly limit the risk exposure of high-risk businesses and strengthen risk monitoring.

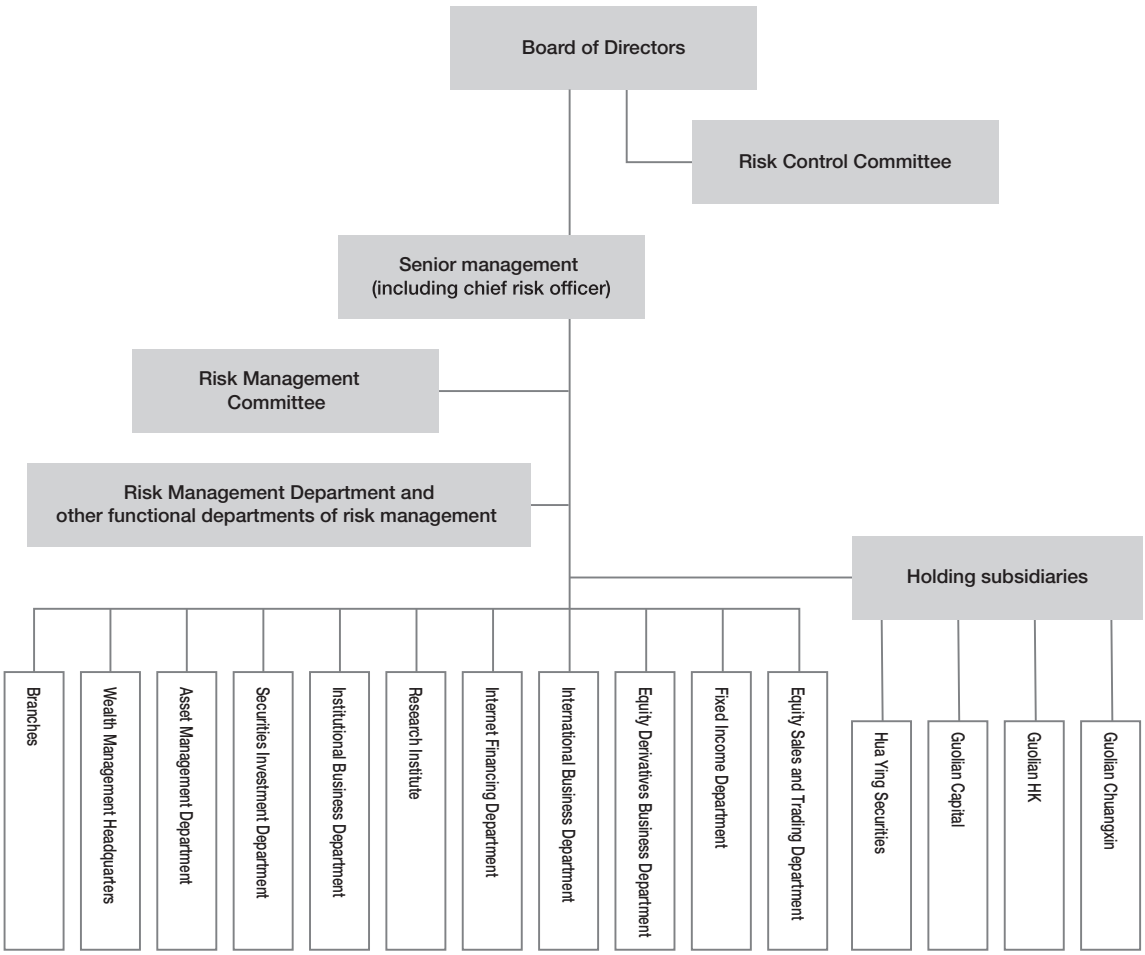
III. Risk Management

(I) General Description

Guided by development strategy, the Company has established a comprehensive risk management system covering various businesses, various risks and the entire process and applied a variety of risk management tools based on quantitative indicators to ensure the risks of the Company are controllable, measurable and tolerable, so as to maximize the long-term value of the Company, and promote the formation of a sound risk management culture within the Company, strengthen the risk management awareness to provide "secured escort" for achieving the Company's overall strategic objectives.

(II) Risk Management Organizational Structure

The comprehensive risk management structure of the Company includes four levels: Board of Directors and Risk Control Committee, senior management and Risk Management Committee, Risk Management Department and other functional departments of risk management as well as risk management organizations set up within the departments. The organizational structure of the Company's risk management is shown in the following chart:



Section 4 Report of the Board

1. Board of Directors and Risk Control Committee

The Board of Directors has the ultimate responsibility for the risk management of the Company. The Board of Directors is mainly responsible for the following duties: advancing the construction of risk culture; considering and approving the basic system of the comprehensive risk management of the Company, and appointing chief risk officer; considering and approving major issues of the Company's risk management, such as risk preference, risk tolerance, significant risk limit and information disclosure; reviewing and evaluating risk management reports and their implementation, etc. The Board of Directors may delegate the Risk Control Committee set up under it to fulfill part of its function of comprehensive risk management.

2. Senior Management (Including Chief Risk Officer) and Risk Management Committee

The senior management of the Company is responsible for organizing and implementing various works in comprehensive risk management in the operation and management process, and mainly performs the following duties:

(1) establish a risk management system and make timely adjustment;

(2) establish and perfect the operation management structure for the Company's comprehensive risk management, clarify the duty allocation of risk management among various departments, and establish a working mechanism that features effective checking and balance and good coordination among the departments;

(3) establish a complete information technology system and data quality control mechanism;

(4) establish a performance assessment system for all staff that covers the effectiveness of risk management;

(5) formulate the specific execution plans for risk management according to the risk preference, risk tolerance extent and significant risk limit approved by the Board and ensure the effective implementation of the plans; monitor the implementation, analyze reasons in a timely manner and handle them according to the authorizations granted by the Board;

(6) regularly assess the overall risk of the Company and various types of material risk management conditions, resolve problems that are found in risk management and report to the Board.

The Company establishes a Risk Management Committee under the senior management, which is responsible for the overall risk monitoring and management of the Company within the scope of authorization of the Board and management, approving risk limits, and making decisions and approvals for important matters involving risk management.

The Company establishes a chief risk officer who is a senior management officer of the Company and is appointed and removed by the Board. The main responsibilities of the chief risk officer include:

(1) organize and implement the overall risk management work of the Company;

(2) review and approve the Company's risk management plan and risk measurement methods, models and indicators, and ensure that the risks undertaken do not exceed the established limits;

(3) organize the formulation of the Company's internal risk management system and policies, and evaluate major market, credit, liquidity and other risks;

(4) organize investigation and inquiry for hidden risks existing in business operation and management activities; report major hidden risks discovered to the president of the Company in a timely manner, and put forward rectification opinions to the person-in-charge of other relevant departments; possesses the authority to report to the Board and its Risk Control Committee or the chairman of the Supervisory Committee had the major hidden risks or the rectification of hidden risks fails to meet the standards.

3. Risk Management Department and Other Functional Departments of Risk Management

Other functional departments of risk management of the Company include: Compliance and Legal Department, Financial and Accounting Department, Capital Operation Department, Information Technology Headquarter, Operation Management Headquarter and Party Committee Office, etc.

The main responsibilities of the Risk Management Department and other functional departments of risk management include: implementing laws, regulations and norms, formulating risk management systems and procedures and submitting them to the Risk Management Committee of the Company and the president's office for review and approval; responsible for researching and developing various risk management methods and tools, testing and evaluating the effectiveness of valuation and risk measurement models, establishing risk management indicator system and pre-warning mechanism to ensure that various risk management and control measures are appropriate and effective, and enable various business operations to conform to legal norms and risk management policies of the Company; evaluating the risks of new products and new businesses developed by the Company, designing risk management process and control measures, and reviewing business system and process; taking charge of the daily monitoring work of related risks, monitoring the compliance with the Company's risk management system, risk limit and authorized management system by relevant business departments and branches, and recording monitoring situation; recording, reporting and disposing of risky behaviors in a timely manner; conducting stress test and sensitivity analysis, and carrying out post-testing and effectiveness assessments; providing independent risk management reports to the senior management of the Company (including chief risk officer) and completing other risk management related work.

4. Risk Management Organizations Set Up by Business Departments, Branches and Subsidiaries of the Company

The business departments, branches and subsidiaries undertake direct responsibility for risk management. The person-in-charge of the business departments, branches and subsidiaries shall fully understand and give due consideration to various risks related to business when making decisions, and timely identify, assess, respond to and report related risks. Each department shall appoint special personnel to assist in risk management works.

(III) Details of Major Risks Exposed to the Company's Operation

1. Market Risk

Market risk refers to the risk that may cause losses to the financial assets held by the Company resulting from the adverse changes in market prices. The categories mainly include equity price risk, interest rate risk, commodity price risk and exchange rate risk. The market risk of the Company mainly comes from domestic and overseas investment businesses such as equity investment business, fixed income business and equity derivatives business.

The Company has established a top-down market risk limit management system, which allocates the overall risk limit of the Company to different business departments and business lines. Business departments, with direct responsibility for market risks and as the frontline management personnel, dynamically manage the business exposure and limit indicators. The Risk Management Department independently conducts a comprehensive assessment, monitoring and management of the overall market risk of the Company, and reports the results to the management of the Company.

The Company conducts comprehensive monitoring on market risks by calculating profit and losses, exposure, basis points, duration, Greek letters and other indicators on a daily basis, and continuously improves the VAR and stress test measurement mechanisms, so as to monitor and analyze the potential losses of the Company.

2. **Credit Risk**

Credit risk refers to the risk that may cause losses due to the default of financiers, counter-parties or issuers. The credit risk of the Company mainly arises from the following aspects: stock pledged repurchase transactions, margin financing and securities lending and other financing businesses; over-the-counter ("OTC") derivative business, such as swaps, OTC option and forwards, credit derivatives, etc.; bond investment transactions (including bond-related transactions such as spot bonds transactions, bond repurchase transactions, bond forward transactions and bond lending business), in which bonds include but not limited to treasury bonds, local bonds, financial bonds, government-backed agency bonds, corporate bonds and non-financial enterprises debt financing instruments, corporate bonds, asset-backed securities, interbank certificates of deposit; non-standardized debt asset investment, etc.

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress test and sensitivity analysis, and managed credit risks by means of access and concentration. Meanwhile, the Company has established a credit risk management system to conduct monitoring and analysis in a timely manner, keep track of the changes in the credit risk qualifications of various businesses and transaction counterparties, carry out pre-warning and reporting, and adjust its credit limits in a timely manner.

3. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performing other payment obligations and meeting the funding needs of normal business operation. The rapid development of various businesses of the Company exert higher requirements on liquidity.

To cope with and manage the liquidity risk effectively, the Company adopts the following measures: (1) manage funding source, financing arrangement and funds allocation in a highly efficient manner; (2) based on the business development plan, financial position and financing capacity of the Company, and also taking into account of the liquidity risk and other related risks involved in the operation process, reasonably determine the scale limit of each business; (3) conduct stress test when the utilization of funds has reached the limit, and take appropriate measures to ensure that the scale exposure for each business line falls within the safety range; (4) set up adequate liquidity reserve to ensure additional fund source will be provided in emergency circumstances.

4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, taken regulatory measures, taken disciplinary actions and suffered property losses or commercial goodwill losses due to violation of laws, regulations and standards in operation management or practice.

The Compliance and Legal Department of the Company takes the lead in the management of compliance risk, and has established an effective and impeccable compliance risks management system and compliance management and organization system. At the same time, the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory bodies, self-regulatory organizations, the public and the media due to the Company's operations or external events, and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability. According to the regulatory requirements, the Company has revised and improved the reputation risk management measures, the implementation rules for reputation risk emergency management and the implementation rules for media management, and conducted dynamic monitoring and management of its reputation risk through the public opinion monitoring system.

IV. Profit Distribution Policies and Profit Distribution Situation

(I) Profit Distribution Policies

In accordance with the Articles of Association, the Company may distribute dividends by means of cash, shares or a combination of cash and shares. Where the Company satisfies the conditions for cash dividend distribution, it shall accord priority to dividend distribution by way of cash. The Company will fully take into account the returns for its investors and distribute dividends to its shareholders according to the stipulated proportion of the profits available for distribution achieved by the parent company during the year. The Company will implement an on-going and stable profit distribution policy, and shall consider the long-term interests of the Company, the overall interests of all shareholders and the sustainable development of the Company when distributing dividends.

(II) Profit Distribution Situation

Profit Distribution for the Year 2020

The Profit Distribution Plan for the Year 2020 of Guolian Securities (《國聯證券2020年度利潤分配方案》) was considered and approved at the 2020 annual general meeting of the Company convened on 7 May 2021, which approved that based on the total share capital of 2,378,119,000 shares as at 31 December 2020, the Company could distribute cash dividends of RMB1.2 per 10 shares (tax inclusive) to all shareholders whose names appeared on the Company's register on the record date thereof, with total cash dividends of RMB285,374,280.00. The Company's profit distribution for the year 2020 has been completed on 23 June 2021.

Profit Distribution Proposal for the Year 2021

The audited net profit of the parent company in 2021 was RMB711,719,068.08. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after appropriating statutory provident fund and general risk reserve, totaling RMB214,441,431.71, the profit available for distribution for the year amounted to RMB497,277,636.37. The balance of the undistributed profit was RMB2,336,323,461.73 in previous year after deducting the dividend of RMB285,374,280.00 distributed for the implementation of profit distribution plan for the year 2020 by the Company during the year, and the accumulated undistributed profit for this year was RMB2,548,226,818.10.

Considering comprehensive factors including the long-term development of the Company and the interests of the shareholders, the Company's profit distribution proposal for the year 2021 is as follows: Based on the total share capital of 2,831,773,168 shares as at the end of 2021, a cash dividend of RMB1 (tax inclusive) per 10 shares will be distributed to all shareholders, with total cash dividends of RMB283,177,316.80, and the undistributed profit of RMB2,265,049,501.30 will be carried forward to next year. In the event of change in the total share capital of the Company before the equity record date of the implementation of the above dividend distribution, it is proposed that the distribution ratio per share will remain unchanged while the total distribution amount shall be adjusted accordingly.

The above profit distribution plan is subject to approval at the General Meeting of the Company. Such profit distribution is expected to be paid to the shareholders of the Company before 31 August 2022.

V. Issuance of Shares and Use of Proceeds

(I) Overall Situation of Proceeds Raised

Proceeds raised through non-public issuance of A shares in 2021

During the Reporting Period, as approved by CSRC with the Approval in Relation to the Non-public Issuance of Shares by Guolian Securities Co., Ltd. (Zheng Jian Xu Ke [2021] No. 2486) (《關於核准國聯證券股份有限公司非公開發行股票的批復》(證監許可[2021]2486號)), the Company non-publicly issued 453,654,200 RMB ordinary shares (A shares). As at the date of the Subscription Agreement, the closing price of the A Shares was RMB13.11, the issue price was RMB11.22 per share, the net price per share was RMB10.98, and the total amount of proceeds raised was RMB5,089,999,800. After deducting the total amount of issuance expenses of RMB107,011,600 (excluding value-added tax), the net amount of proceeds raised was RMB4,982,988,200. The proceeds raised from the non-public issuance of A shares has been verified by Deloitte Touche Tohmatsu Certified Public Accountant LLP and a capital verification report of De Shi Bao (Yan) Zi (21) No. 00499 (德師報 (驗) 字(21)第00499號) was issued.

As of 31 December 2021, all the proceeds raised from the Company's non-public issuance of A shares have been utilized, and the accumulated proceeds raised which have been utilized amounted to RMB4,982,988,200. All the special bank accounts for the proceeds raised have no balance and have been cancelled.

The Company mainly invested and used the proceeds raised through non-public issuance of A shares as follows:

(1) Further expansion of the scale of credit transaction business including margin financing and securities lending by RMB1,973,958,200;

(2) Expansion of fixed income, equity, equity derivatives and other trading businesses by RMB3,000,000,000;

(3) Other working capital amounted to RMB9,030,000.

(II) Change of use of proceeds raised

There was no change in the use of the proceeds raised through non-public issuance of A shares in 2021.

(III) Unutilized proceeds raised

As of the end of 2021, all the proceeds raised from the non-public issuance of A shares in 2021 have been utilized.

VI. Directors

Information about the Directors of the Company during the Reporting Period and as at the date of this report is set out in Section 7 "Information of Directors, Supervisors, Senior Management and Staff" in this report.

VII. Directors and Supervisors' Service Contracts

All Directors and Supervisors of the Company have entered into service contract with the Company, but have not entered into any service contract with the Company or its subsidiaries which is not terminable within one year without payment of compensation (other than statutory compensations).

VIII. Permitted Indemnity Provisions

During the Reporting Period, the Company has arranged appropriate insurance coverage for potential legal actions and liabilities against the Directors, Supervisors and senior management. There was, or is, no permitted indemnity provision being in force for the benefit of any of the Directors of the Company.

IX. Interests of Directors and Supervisors in Transactions, Arrangements and Contracts of Significance

No transactions, arrangements or contract of significance in relation to the Group's business to which the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders was a party and in which a Director or Supervisor of the Company or an entity connected with a Director or Supervisors has a material interest, whether directly or indirectly, has been entered into or subsisted at the end of the financial year under review or at any time during the financial year.

X. Controlling Shareholders' Interests in Contracts of Significance

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Controlling Shareholder had a material interest on, whether directly or indirectly, and subsisted at the end of the financial year under review or at any time during the financial year under review save as disclosed under "IV. Connected Transactions" in Section 5 and notes to the consolidated financial statements.

XI. Directors' Interests in the Business Competing with the Company

During the Reporting Period, the Directors of the Company have no interest in the business that is competing with the Company.

XII. Directors and Supervisors' Right to Purchase Shares or Debentures

As at the end of the Reporting Period, no rights were granted to any Director, Supervisor or their respective spouse or children under 18 years of age by the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, or were any such rights exercised by them; or was the Company, its subsidiaries, its Controlling Shareholders or the subsidiaries of the Company's Controlling Shareholders a party to any arrangement to enable any Director, Supervisor or their respective spouse or children under 18 years of age, to acquire such rights in the Company or any other body corporate.

XIII. Interests and Short Positions of Directors, Supervisors and Senior Management in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at the end of the Reporting Period, based on the information available to the Company and to the knowledge of the Directors, no Directors, Supervisors or senior executive of the Company have any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and HK Stock Exchange pursuant to the Model Code.

XIV. Compliance with Non-competition Agreement

As disclosed in the prospectus, on 15 June 2015, the Controlling Shareholders of the Company entered into a non-competition agreement in favour of the Group, pursuant to which, the Controlling Shareholders have irrevocably undertaken to the Company that, save for the exceptional circumstances as disclosed in the prospectus, the Controlling Shareholder and the controlled entities (as defined in the prospectus) will not, directly or indirectly, invest in, participate in, be engaged in or operate or be interested in any business in any way inside or outside the PRC separately or with any other parties, whereby it will compete or is likely to compete with the main business of the Company, and have undertaken not to engage in any competitive activities by taking advantages as the Controlling Shareholders of the Company which would be prejudicial to the benefits of the Company or its subsidiaries. For the Direct Investment Business, the Controlling Shareholders and the controlled entities have also undertaken to provide the Company the options and pre-emptive rights regarding new direct investment opportunities. The Investment Decision Committee of Guolian Capital is responsible for reviewing and deciding whether the Group should take up the related new direct investment opportunities. The independent non-executive Directors of the Company supervise and review the composition of the committee and the decisions it made.

The independent non-executive Directors had reviewed members of the Investment Decision Committee of Guolian Capital twice during the Reporting Period, and considered that the members involved in the decision-making of new business investment opportunities had business experience and professional capacity which are necessary for performance of their duties, and had no conflict of interest with the Group.

During the Reporting Period, the Controlling Shareholders and the controlled entities referred 7 new business investment opportunities to Guolian Capital. The Investment Decision Committee of Guolian Capital had reviewed such new business investment opportunities, and considered that such businesses involved issues like weak core competitiveness, fierce market competition of the target company, long investment cycle, and high withdrawal risk, which was not in line with the preference for investment projects of Guolian Capital. Therefore, it decided not take up such new business investment opportunities. The independent non-executive Directors had made an annual review on such decision, and was of the view that the decision made by the Investment Decision Committee of Guolian Capital was based on its professional judgement to the new business investment opportunities, reflecting the interest of the Group.

The Controlling Shareholders have confirmed to the Company that, during the Reporting Period, they have complied with all the terms of the non-competition agreement. The independent non-executive Directors have conducted an annual review regarding the compliance of non-competition agreement and have not found any non-compliance issues on the non-competition agreement by Controlling Shareholders.

XV. Other Disclosures

(I) Share Capital

The information is set out in the "Consolidated Statement of Financial Position" and Note 38 to the consolidated financial statements of this report.

(II) Pre-emptive Rights

There is no pre-emptive rights arrangement of the Company pursuant to the laws of the PRC and the requirements of the Articles of Association.

(III) Sufficiency of Public Float

During the Reporting Period and up to the date of this report, the public float of H Shares of the Company is 15.63%, which remains in compliance with the waiver from strict compliance with the public float requirements granted by HK Stock Exchange pursuant to Rule 8.08(1)(d) of the Listing Rules.

(IV) Management Contracts

During the Reporting Period, the Company did not enter into any contracts nor had any existing contracts in respect of all or any management and administration of the Company.

(V) Information on Tax Reduction and Exemption for Holders of H Shares

According to the Notice on the Management of Personal Income Tax Impose after the Abolition of Guo Shui Fa [1993] No. 045 Document issued by the State Administration of Taxation (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》(國稅函[2011]348號)), the dividend received by foreign resident individual shareholders from the issuance of shares in Hong Kong by domestic non-foreign invested enterprises is subject to the payment of individual income tax according to the items of "interests, dividend and bonus income", which shall be withheld by the withholding agents according to relevant laws. The foreign resident individual shareholders who hold the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant agreed treatment pursuant to the provisions in the tax agreements signed between the countries where they reside and China or the tax arrangements between Mainland and Hong Kong (Macau). The tax rate for dividends under the relevant tax agreements and tax arrangements is generally 10%, and for the purpose of simplifying tax administration, domestic non-foreign invested enterprises issuing shares in Hong Kong may, when distributing dividends, generally withhold individual income tax at the rate of 10%, and are not obligated to file an application. If the tax rate for dividends is not equal to 10%, the following provisions shall apply: (1) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of lower than 10%, the withholding agents will file applications on their behalf to seek entitlement of the relevant agreed preferential treatments, and upon approval by the tax authorities, the excess tax amounts withheld will be refunded; (2) for citizens from countries which have entered into tax agreements/arrangements stipulating a tax rate of higher than 10% but lower than 20%, the withholding agents will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends, and are not obligated to file an application; (3) for citizens from countries without tax agreements or are under other situations, the withholding agents will withhold the individual income tax at a tax rate of 20% when distributing dividends.

According to the requirements of the Notice on the Withholding Corporate Income Tax on the Dividends Distributed by the Chinese Resident Enterprise to Foreign H Shares Non-resident Enterprise Shareholders (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the SAT, when the Chinese resident enterprises distribute dividends of 2008 and subsequent years to foreign H Shares non-resident enterprise shareholders, they shall pay the withholding enterprise income tax at the unified rate of 10%.

Pursuant to provisions in the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs Issued by the Ministry of Finance, the SAT and CSRC (Cai Shui [2014] No. 81)(《財政部國家稅務總局證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on Tax Policy Regarding Shenzhen-Hong Kong Stock Connect Pilot Programs (Cai Shui [2016] No.127)(《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for the dividends obtained by mainland individual investors from investing in H Shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the tax rate of 20%. For the dividends obtained by mainland securities investment funds by investing in shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above. For the dividends obtained by mainland enterprise investors from investing in shares listed in HK Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on the dividends, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for the dividends obtained by mainland resident enterprises from holding relevant H Shares for consecutive 12 months, the corporate income taxes shall be exempted according to laws.

Pursuant to the current practices of Inland Revenue Department of Hong Kong, no withholding taxes shall be levied for the dividends distributed by the Company.

The shareholders of the Company shall pay the relevant taxes and/or be entitled to tax relieves pursuant to the above provisions.

(VI) Reserves and Reserves of Profits Available for Distribution

Please refer to the "Consolidated Statement of Changes in Equity" and Note 39 to the consolidated financial statements of this report regarding the changes in the Group's reserves and reserves of profits available for distribution during the Reporting Period.

(VII) Major Customers and Suppliers

The Company provides services for various individual and institutional customer groups with a large customer base and wide distribution. The Company's major customers include non-enterprise institutions, large, medium and small enterprises, institutional investors and retail customers. During the Reporting Period, revenue generated from the top five customers amounted to RMB221 million, accounting for 5.22% of total revenue, net investment gains and other income of the Group. None of the Directors, Supervisors or any of their respective close associates or any shareholder holding more than 5% of the issued share capital of the Company has any interests in the Company's top five customers.

Due to the nature of the business, the Company has no major supplier.

(VIII) Property and Equipment

For the information of the Group's property and equipment during the Reporting Period, please refer to the Consolidated Statement of Financial Position and Note 20 of this report.

(IX) Fulfillment of Social Responsibilities

For the information of fulfillment of social responsibilities during the Reporting Period, please refer to "(IX) Community Investment of III. Society and Governance Report" in Section 9 of this report.

(X) Relationship between the Company and its Staff, Customers and Suppliers

1. Staff

For details, please refer to Section 7 "VI. Information about Staff and Remuneration of the Company and Major Subsidiaries" in this report.

2. Customers

For details, please refer to "XV. Other Disclosures" in this section.

3. Suppliers

For details, please refer to "XV. Other Disclosures" in this section.

(XI) Compliance with Laws and Regulations

The business of the Company is mainly conducted in mainland China, and the Company has already listed on HK Stock Exchange and Shanghai Stock Exchange. Hence, in strict compliance with the requirements of laws, regulations and regulatory documents for both domestic and overseas listing markets, including the Company Law, Securities Law, Regulations on Supervision and Management of Securities Companies, Measures for the Risk Control Indexes of Securities Companies, CG Code, the Company has formulated and improved continuously the Articles of Association, rules and regulations of the Company to regulate the business and operation of the Company, striving to maintain and promote a sound corporate market image. During the Reporting Period and up to the date of this report, the Company has complied with the relevant laws and regulations in Mainland China and Hong Kong.

(XII) Major Events after the Reporting Period

For details, please refer to Section 5 "VIII. Significant Subsequent Events" of this report.

(XIII) Exchange Rate Fluctuation Risks and any Related Hedging

The foreign currency assets and liabilities held by the Company are not material when compared to total assets and liabilities. In terms of the Company's revenue structure, the majority of the business transactions are settled in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their exchange rate fluctuation risk is immaterial.

(XIV) Issued Debentures, Equity Linked Agreement and Share Option Arrangement

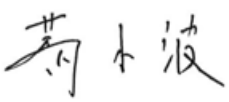
Please refer to "2. Debt Financing of (V) Major Investment and Financing Activities under I. Board's Discussion and Analysis on the Operation of the Company during the Reporting Period" for details regarding issued debentures of the Company.

During the Reporting Period, the Company did not signed any equity linked agreement or had any share option arrangement.

(XV) Business Review

Please refer to section "I. Board's Discussion and Analysis on the Operation of the Company during the Reporting Period" for details regarding the fair review and analysis of the business of the Company using financial key performance indicators and discussion and analysis regarding the future business development of the Company, section "III. Risk Management" for details regarding the major risks and uncertainties exposed to the Company, section "(XI) Compliance with Laws and Regulations of XV. Other Disclosures" for details regarding the Company's compliance with the laws and regulations that have material impact on the Company, section "(X) Relationship between the Company and its Staff, Customers and Suppliers of XV. Other Disclosures" for details regarding the description of the major relationship between the Company and its staff, customers and suppliers, Section 5 "VIII. Significant Subsequent Events" of this report for details regarding the significant events that have material impact on the Company after the end of financial year and Section 9 "Environmental, Social and Governance Report" of this report for details regarding the environmental policy and performance of the Company.

By order of the Board
Guolian Securities Co., Ltd.



Ge Xiaobo
Executive Director

24 March 2022

Section 5 Other Significant Events

I. Significant Penalty or Public Censure during the Reporting Period of the Company

During the Reporting Period, there was no significant penalty or public censure imposed to the Company.

II. Significant Lawsuits and Arbitrations

(I) Outstanding Cases during the Reporting Period

During the Reporting Period, the Company was involved in three outstanding cases, the development of which were as follows:

1. **The SME private placement bonds dispute case between the Company and Inner Mongolia Nailun Agriculture Technology Corporation (內蒙古奈倫農業科技股份有限公司)**

   For the relevant background information, please refer to the Company's previous periodic reports. In August 2015, South China International Economic and Trade Arbitration Commission delivered the verdict that the Inner Mongolia Nailun Agriculture Technology Corporation shall pay the Company the bond principal of RMB8.4 million, together with the liquidated damages, deferred compensation and bond interest (the interest shall be calculated to the date on which Inner Mongolia Nailun Agriculture Technology Corporation fulfills all payment obligations), etc. and the verdict shall be final. The Company had applied to the court for compulsory enforcement. As of the end of the Reporting Period, the court ruled to terminate the enforcement.

2. **The Stock Pledged Repurchase Transaction dispute case between the Company and Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership) (廣州匯垠華合投資企業(有限合夥)) and Zhang Guizhen**

   For the relevant background information, please refer to the Company's previous periodic reports. In April 2020, Wuxi Intermediate People's Court issued a civil written verdict which ruled to reject the Zhang Guizhen's lawsuit, and Zhang Guizhen filed an appeal in May 2020. In April 2021, the second trial of Jiangsu Higher People's Court was held. As of the end of the Reporting Period, the case is still ongoing.

3. The Stock Pledged Repurchase Transaction dispute case between the Company and Peng Peng (彭朋)

For the relevant background information, please refer to the Company's previous periodic reports. In January 2020, the Company received the execution payment of RMB652,953.76 from Wuxi Intermediate People's Court. In March 2020, after ruling that the stocks under the names of Peng Min and Wei Yueping be repaid in kind to the Company, Wuxi Intermediate People's Court made a ruling to conclude this enforcement procedure in April 2020. In September 2021, Wuxi Intermediate People's Court decided to resume the enforcement procedure. During the period, Wuxi Intermediate People's Court disposed of the property under the name of Peng Min, the person subject to the enforcement ruling. In December 2021, Wuxi Intermediate People's Court made a ruling to conclude this enforcement procedure.

In May 2020, the Company submitted a petition to Guilin Intermediate People's Court to withhold and deduct the remaining property under the name of Peng Peng, the person subject to the enforcement ruling, and take personal restrictions such as high consumption restriction. In March 2021, Guilin Intermediate People's Court decided to resume the enforcement procedure. During the period, Guilin Intermediate People's Court disposed of the property under the name of Peng Peng, the person subject to the enforcement ruling. In December 2021, Guilin Intermediate People's Court made a ruling to conclude this enforcement procedure.

(II) Cases Concluded during the Reporting Period

During the Reporting Period, the Company had no concluded cases.

III. Important Contracts and Their Fulfillment

During the Reporting Period, the Company did not enter into any important contracts.

IV. Connected Transactions

Particulars of the major related party transactions of the Group for the year ended 31 December 2021 are set out in note 53 to the financial statement. Save as disclosed in this section, these related party transactions do not constitute any connected transactions under Chapter 14A of the Listing Rules.

Among which, the related party transactions that constitute connected transactions under Chapter 14A of the Listing Rules are subject to reporting, annual review and announcement in accordance with the requirements of Chapter 14A under the Listing Rules, have complied with the provisions in Chapter 14A under the Listing Rules, particulars of which are as follows:

(I) Continuing Connected Transactions by the Group during this Year

The Continuing Connected Transactions of the Group are mainly conducted with Guolian Group and its Associates. Guolian Group is the Controlling Shareholder of the Company. Under the Listing Rules, Guolian Group and its Associates are Connected Persons of the Group. Therefore, the agreements entered into between the Group and Guolian Group and its Associates constitute Connected Transactions under the Listing Rules. The Company renewed the Securities and Financial Services Framework Agreement and the Property Leasing and Related Services Framework Agreement with Guolian Group on 18 December 2020. In view of the past long-term cooperative relationship between the Group and Guolian Group and its associates, such transactions have facilitated and will continue to facilitate the overall business operation and business growth of the Group. At the same time, through integrating the advantageous resources of the Group and Guolian Group and its associates, they will lower operating costs and general expenditure of the Group, provide additional revenue source for the Group and further enhance the profitability of the Group and its position in the securities industry. Furthermore, based on knowledge of Guolian Group and its associates regarding the operation of the Group, they are capable of providing more suitable and effective services to the Group when compared with independent third parties. As one or more of the applicable percentage ratios of the annual caps for the years of 2021, 2022 and 2023 under the Securities and Financial Services Framework Agreement and Property Leasing and Related Services Framework Agreement are more than 0.1% but less than 5%, the Securities and Financial Services Framework Agreement, Property Leasing and Related Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but are exempted from the independent shareholders' approval requirements.

The validity period of the Securities and Financial Services Framework Agreement and Property Leasing and Related Services Framework Agreement are three years respectively, commencing on 1 January 2021 and expiring on 31 December 2023, and renewable under the mutual agreement of both parties and in compliance with the Listing Rules.

The principal terms and conditions of the Securities and Financial Services Framework Agreement and Property Leasing and Related Services Framework Agreement are set out in the announcement of the Company dated 18 December 2020.

Section 5 Other Significant Events

1. Securities and Financial Framework Agreement

1. Securities and financial services

According to the requirements of Guolian Group, the Group shall provide to Guolian Group and its associates a series of financial services, including securities brokerage (including seat leasing) services, Futures IB services, securities asset management services, agency sales of financial products services, financial advisory services, underwriting and sponsorship services, securities investment consultancy services and other financial services approved by China Securities Regulatory Commission.

According to the requirements of the Group, Guolian Group and its associates shall provide to the Group a series of financial services, including management services of trust plans, futures brokerage services, futures investment consultancy services, commercial insurance services and other financial services approved by China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission.

2. Securities and financial products

According to the requirements of both parties, the Group conducts securities and financial products transactions with Guolian Group and its associates, including sales under repurchase agreements in the inter-bank and exchanges market by the Group. The Group subscribes for the trust plans and other products issued by Guolian Group and its associates. Guolian Group and its associates subscribe for the income certificates, privately issued bonds, asset backed securities and pledged dealer-quoted repurchase products issued by the Group.

Basis of pricing

1. Securities and financial services

(1) Pursuant to the Securities and Financial Framework Agreement, the service fees and commissions receivable from related securities and financial services provided by the Group to Guolian Group and its associates are determined under applicable laws and regulations, with reference to current market price after arm's length negotiations and shall not be less than the price receivable by the Group from independent third parties for the same type of services.

(i) Securities brokerage services

The commissions are determined after arm's length negotiations between the parties with reference to, among other things, the commission rates applicable to independent third parties and the estimated scale of the brokerage transactions.

(ii) Futures IB services

The service fee of Futures IB is determined with reference to industry practice, the revenue sharing ratio of major securities companies in China and upon fair negotiation. According to the latest available market data, in respect of Futures IB business, the major securities companies in China usually split revenue with futures dealers at a certain ratio. In respect of the Futures IB transaction between the Group and Guolian Futures, the revenue sharing ratio will fall within the prevailing market revenue sharing ratio scope and is set at a standard more favorable to the Group compared with the market practices.

(iii) Securities asset management services

In respect of the pricing policy of service fee of Collective Asset Management Scheme, the subscription price, management fee and other terms with Guolian Group is consistent with normal commercial terms and those of the Group's similar transactions with independent third party investors. The fee ratios of transactions between the Group and Guolian Group fall within a certain ratio range of similar transactions in the market. In addition, the Group will take into account factors such as basic conditions of the assets or business to determine the management fee.

In respect of the pricing policy of service fee of Targeted Asset Management Scheme with Guolian Group, as each transaction has different target assets whose conditions vary from each other, it is hard to set out a standardized fee ratio. However, the Group determines the management fee based on the price of similar transactions in the market which have similar target asset or in similar condition. In addition, historical management fee in similar transactions between the Group and independent third parties will also be considered, so as to ensure that the price between the Group and Guolian Group is not less favorable to the Group.

(iv) Agency sales of financial products services

In respect of agency sales of financial products, as the risk factors of different products vary from each other, products with higher risks charge higher agency sales fee. There is no specific standard price or commission rate in the market. Therefore, the price of agency sales transactions between the Group and Guolian Trust is determined upon fair trade principle and with reference to market price and industry practice for specific products.

(v) Financial advisory services

As the financial advisory services are highly individualized, different transaction's target business varies in size, conditions and different counterparties have different bargaining power, it is hard to set out a standardized price or fee ratio. However, the Group will refer to the price of similar transactions which are available publicly in third-party databases, and the price of the Group's similar historical transactions with independent third parties to ensure the services fee is not less favorable to the Group.

(vi) Underwriting and sponsorship services

The competition in securities underwriting and sponsorship service market is intense, and the commission fees and rates are typically transparent and standardized across the market. The service fees shall be determined after arm's length negotiation with reference to, among other things, the prevailing market prices, total amount of funds to be raised and commission rate charged to the independent third party by the Group for provision of similar services.

(vii) Securities investment consultancy services

Such service fees shall be determined after arm's length negotiation with reference to the prevailing market rates of transactions with similar types and size.

(2) Pursuant to the Securities and Financial Framework Agreement, the service fees and commissions receivable from related securities and financial services provided by Guolian Group and its associates to the Group are determined under applicable laws and regulations, with reference to the current market price after arm's length negotiations and shall not be higher than the price payable by the Group to independent third parties for the same type of services.

(i) Management services of trust plans

The price of management services of trust plans is determined with reference to the similar management services of trust plans in the market and upon fair negotiation between the Group and Guolian Trust. During the negotiation, the Group will refer to the management fee ratio charged by independent third parties of the Group's historical similar transactions to ensure that the management fee charged by Guolian Trust is not higher than or even lower than the management fees paid by the Group to third parties.

(ii) Futures brokerage services

The commissions are determined after arm's length negotiations between the parties with reference to, among other things, the commission rates applicable to independent third parties and the estimated scale of the brokerage transactions.

(iii) Futures investment consultancy services

The service fee of futures investment consultancy is determined after arm's length negotiation with reference to the industry average fee standard. In respect of the futures investment consultancy business between the Company and Guolian Futures, the standard of investment consultancy service fee is approximate to the market average.

(iv) Commercial insurance services

The pricing principles of commercial insurance services are based on those factors such as the industry category in which the Group operates, the number of the insured, the average age of the insured, the participation of the insured in local social insurance and the insured amount demanded, and in accordance with the underwriting rules of Guolian Life Insurance and previous experience in premium calculation to comprehensively determine the service prices.

2. Securities and financial products

(1) Pursuant to the Securities and Financial Framework Agreement, Guolian Group and its associates will subscribe for the relevant securities and financial products issued by the Group at the then applicable market price or market rate for such type of securities and financial products based on arm's length negotiation between the parties.

(i) Sales under repurchase agreements in the inter-bank and exchanges market

The prices for transactions in the PRC inter-bank bond market and the PRC exchange bond market are determined based on the prices quoted in the PRC inter-bank bond market and the PRC exchange bond market. Such prices are mainly determined with reference to the valuation of relevant securities and financial products published by China Central Depository & Clearing Co., Ltd., the yield curve and the turnover details published by China Foreign Exchange Trading System & National Interbank Funding Centre.

(ii) Income certificates, privately issued bonds and other products

The Group issues income certificates, privately issued bonds and other products based on its funding needs. The prices of income certificates and privately issued bonds issued by the Group are determined based on the prices of comparable similar products in the market. Among them, the subscription for the existing income certificates and privately issued bonds issued by the Group to Guolian Group and its associates are conducted on normal commercial terms and the Group does not provide collateral. Therefore, these transactions are exempted continuing connected transactions under the Listing Rules. No exemption will be granted in cases where the Group is required to provide collateral.

(iii) Asset backed securities

Since the target assets of each product are different, and the conditions such as the income rights and risks are different, it is difficult to set a standard fee rate. The Group determines the fees based on the prices of similar target assets or similar transactions in the market to ensure that the gains received from similar products by Guolian Group and its associates and independent third parties are the same.

(iv) Pledged dealer-quoted repurchase

The Group determines the fees based on the prices of similar target assets or similar transactions in the market to ensure that the gains received from similar products by Guolian Group and its associates and independent third parties are the same.

(2) Pursuant to the Securities and Financial Framework Agreement, the Group will subscribe for the relevant securities and financial products issued by Guolian Group and its associates at the then applicable market price or market rate for such type of securities and financial products based on arm's length negotiation between the parties.

(i) Trust plans and other products

The subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the financial institutions which set up the financial products after considering the fundamentals of the assets/businesses to be invested. The Group will refer to the expected yield of similar trust plans in the market at that time when subscribing for the trust plans issued by Guolian Group and its associates.

Section 5 Other Significant Events

1. Securities and Financial Services

During the Reporting Period, the particulars of the commissions charged／paid by the Group for the provision of／receiving the securities and financial services to／from Guolian Group and its Associates were as follows:

Unit: RMB'million

Item	2021 Annual Cap of Transaction Amount	2021 Actual Transaction Amount
Revenue received by the Group		
Including securities brokerage (including seat leasing) services, Futures IB services, securities asset management services, agency sales of financial products services, financial advisory services, underwriting and sponsorship services, securities investment consultancy services and other financial services approved by China Securities Regulatory Commission	68.26	19.25
Expenses incurred by the Group		
Including management services of trust plans, futures brokerage services, futures investment consultancy services, commercial insurance services and other financial services approved by China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission	6.99	3.39

2. Securities and financial products

(1) Securities and financial products (excluding sales under repurchase agreements and pledged dealer-quoted repurchase transactions)

During the Reporting Period, the particulars of the total capital inflows/outflows generated from the securities and financial product transactions (excluding sales under repurchase agreements and pledged dealer-quoted repurchase transactions) between the Group and Guolian Group and its associates are as follows:

Unit: RMB'million

Item	2021 Annual Cap of Transaction Amount	2021 Actual Transaction Amount
Total capital inflow arising from securities and financial product transactions between the Group and Guolian Group and its associates (deducting the amount of sales under repurchase agreements transactions and the amount of pledged dealer-quoted repurchase transactions)	330	4.00
Total capital outflow arising from securities and financial product transactions between the Group and Guolian Group and its associates	315	–

(2) Securities and financial products (sales under repurchase agreements and pledged dealer-quoted repurchase transactions only)

During the Reporting Period, the particulars of the daily maximum balance (including interest) of the securities and financial product transactions (sales under repurchase agreements and pledged dealer-quoted repurchase transactions only) between the Group and Guolian Group and its associates are as follows:

Unit: RMB'million

Item	2021 Annual Cap of Transaction Amount	2021 Actual Transaction Amount
Maximum daily balance of sales under repurchase agreements and pledged dealer-quoted repurchase transactions between Guolian Group and its associates and the Group (including interests) Note	525	32.25

Note: Sales under repurchase agreements and pledged dealer-quoted repurchase transactions constitute the non-exempted continuing connected transactions under the Listing Rules as they are equivalent to financial assistance and collateral has been provided in connection with the financial assistance.

2. **Property Leasing and Related Services Framework Agreement**

- the Group leased certain properties from Guolian Group and its associates for office and/or business use, and engaged the associates of Guolian Group for the provision of relevant services in relation to the properties occupied by the Group, including but not limited to providing equipment leasing, property management, security and flower leasing services for the Group.

- Guolian Group and its associates leased certain properties from the Group for office and/ or business use.

Basis of pricing

Under the Property Leasing and Related Services Framework Agreement, the rental amount of the leasing properties shall be determined based on arm's length negotiations between both parties by reference to the prevailing market rental of properties with similar locations and sizes to the relevant leasing properties. The rental amount receivable by the Group shall not be less than the amount receivable by the Group from independent third parties, and the rental amount payable by the Group shall not be higher than the amount payable by the Group to independent third parties.

Under the Property Leasing and Related Services Framework Agreement, the fees of the related services shall be determined based on arm's length negotiations between both parties with reference to the fees payable by the Group to independent third parties for similar services, and shall not be higher than the price payable by the Group to independent third parties for similar services.

During the Reporting Period, the particulars of the expenses of the Group incurred for renting/leasing the properties and receiving the related property services provided by Guolian Group and its Associates were as follows:

Unit: RMB' million

Items	2021 Annual Cap of Transaction Amount	2021 Actual Transaction Amount
Revenue received by the Group		
Including income received from leasing properties	3.00	1.12
Expenses incurred by the Group		
Including expenses incurred for leasing properties [note], fee expense incurred for the related property services	33.70	23.63

Note: The expenses incurred for property leasing includes rental expenses (including interest expenses on lease liabilities) and depreciation expenses of the relevant right-of-use assets.

The independent non-executive Directors of the Company have reviewed the aforesaid Continuing Connected Transactions and issued the following independent opinions on those Continuing Connected Transactions that they are being conducted:

(1) during the ordinary course of business of the Company;

(2) on normal commercial terms or better;

(3) according to relevant agreements of the transactions, the terms of which are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

The auditors engaged by the Company had issued a letter to the Board of the Company regarding their review of the aforesaid Continuing Connected Transactions and provided the following opinions:

In respect of the disclosed Continuing Connected Transactions:

(1) nothing has come to our attention that causes us to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to our attention that causes us to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to our attention that causes us to believe that the Disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

The Company has provided a copy of the letter from the auditors to the HK Stock Exchange and the Company confirmed that it had complied with all the disclosure requirements in relation to the disclosure of the Continuing Connected Transactions under Chapter 14A of the Listing Rules.

(II) Internal Control and Corporate Governance Measures

The Group has adopted a series of internal pricing approval and internal control procedures, which mainly include:

(1) the Company has set up a monitoring system, which has a detailed list of the Company's Connected Persons. If any of the transactions involve Connected Persons of the Company, such transaction will be timely reported to the Board of Directors Office of the Company and can only be continued with the approval and confirmation of the Board of Directors Office. In this way, the Board of Directors Office is able to track down every Connected Transaction's amounts and make sure the annual caps would not be exceeded. Thus, the monitoring system will report to the Board of Directors Office of the Company on the transaction amounts under the Securities and Financial Framework Agreement and the Property Leasing and Related Services Framework Agreement in a timely manner so that the Board of Directors Office of the Company is able to strictly control the balance of annual caps to ensure the annual caps would not be exceeded;

(2) the department in charge of the specific transaction will collect market prices. Such market prices include (i) prices of similar transactions in the market; (ii) the Company's pricing of similar transactions in the past; and (iii) as to the Property Leasing and Related Services Framework Agreement, pricing by similar market transactions or independent third party property valuers. The Company will refer to such market prices in determination of the transaction prices under the Securities and Financial Framework Agreement and the Property Leasing and Related Services Framework Agreement;

(3) the Company has established its internal guidelines and policies for management of different types of securities and financial products transactions, as well as the internal procedures and systems for approval and supervision of such transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rates, procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses;

(4) all of the Continuing Connected Transactions are reviewed and confirmed by independent non-executive Directors annually; and

(5) the Auditing Department of the Company is responsible for the audit of major Connected Transactions one by one to ensure the truthfulness, accuracy and completeness of the audit report information, and submit the audit report to the Board of Directors for review.

(III) Other Connected Transactions

To further expand the asset management scale of Guolian Capital, expand the business of Guolian Capital, enhance the Company's strengths in equity investment and fund management businesses, and improve the brand awareness of the Company, Guolian Capital, a wholly-owned subsidiary of the Company, and Wuxi Rural Revitalization Fund and other investors had entered into the Partnership Agreement on 18 October 2021. The total size of the Partnership is RMB1,000,000,000, of which RMB85,000,000 is contributed by Guolian Capital and RMB50,000,000 is contributed by Wuxi Rural Revitalization Fund.

As Guolian Group directly and indirectly holds 48.60% of the shares of the Company, it is a Controlling Shareholder as defined under the Listing Rules, and is therefore a Connected Person of the Company. Guolian Group, Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司) and Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), both controlled by Guolian Group, hold as to 60%, 29.6% and 0.4% of the shares of Wuxi Rural Revitalization Fund respectively, and therefore, Wuxi Rural Revitalization Fund is a Connected Person of the Company under Chapter 14A of the Listing Rules, and the establishment of the Partnership constitutes a Connected Transaction of the Company under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the other parties to the Partnership Agreement other than Wuxi Rural Revitalization Fund and their respective ultimate beneficial owners are third parties independent of the Company and its associates (as defined under the Listing Rules).

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the capital contribution amount regarding the establishment of the Partnership are more than 0.1% but less than 5%, the establishment of the Partnership is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but can be exempted from the independent Shareholders' approval requirements.

For details of such connected transaction, please refer to the announcements of the Company dated 18 March 2021 and 18 October 2021 respectively.

V. Bankruptcy Reorganization, Acquisitions, Mergers and Divisions

During the Reporting Period, the Company and its subsidiaries were not engaged in any bankruptcy reorganization, acquisitions, mergers or divisions.

VI. Major Off-balance-sheet Items

During the Reporting Period, the Company and its subsidiaries did not record any guarantees, mortgages or other major off-balance-sheet items that may affect the Company's financial position and operating results.

VII. Engagement and Dismissal of Accounting Firm

(I) Accounting Firm Currently Engaged by the Company

Name of Domestic Accounting Firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Accounting Firm	RMB2.21 million
Continuous Term of Audit Service of Domestic Accounting Firm	6 years
Name and Continuous Term of Service of Domestic Certified Public Accountants	Zhu Weiqi (朱瑋琦): 1 year Sun Weiqi (孫維琦): 1 year
Name of Overseas Accounting Firm	Deloitte Touche Tohmatsu
Remuneration of Overseas Accounting Firm	RMB550,000
Continuous Term of Audit Service of Overseas Accounting Firm	6 years
Name and Continuous Term of Service of Overseas Certified Public Accountant	Chan, Wo Mi (陳和美): 1 year

In addition, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as the audit institution of internal control for the year 2021, and the relevant audit expenses were RMB360,000.

(II) Change of Engagement of Accounting Firm by the Company in Recent Three Years

The Company had no change of engagement of accounting firm in recent three years.

(III) Engagement of Accounting Firm by the Subsidiaries

In 2021, Hua Ying Securities reappointed Deloitte Touche Tohmatsu Certified Public Accountants LLP as its external auditing institution with an audit fee of RMB220,000.

In 2021, Guolian Capital appointed Talent Certified Public Accountants LLP (天衡會計師事務所 (特殊普通合夥)) as its annual external auditing institution with an audit fee of RMB35,000.

In 2021, Guolian HK appointed SHINEWING (HK) CPA Limited as its annual external auditing institution with an audit fee of HKD320,000.

VIII. Significant Subsequent Events

(I) Changes Of Directors, Supervisors and Senior Management

Nil

(II) Annual Profit Distribution Proposal

The annual profit distribution proposal of the Company for the year 2021 is set out in Section 4 of this report "III. Profit Distribution Policies and Profit Distribution Situation".

(III) Major Investing and Financing Activities

Nil

(IV) Major Litigations and Arbitrations

Nil

(V) Business Mergers or Disposals of Subsidiaries

Nil

(VI) Other Events That May Have a Material Impact on the Financial Position, Operating Results and Cash Flows of the Company

Nil

IX. Important Matters or Major Subsequent Events of Subsidiaries

(I) Changes of Directors, Supervisors and Senior Management

On 7 December 2021, Mr. Yao Zhiyong, the chairman, resigned from all the positions held in Hua Ying Securities. Upon shareholders' decision, Mr. Ge Xiaobo was appointed as the chairman of Hua Ying Securities on 10 December 2021. Mr. Wang Jinling, Mr. Wang Jie and Mr. Chen Xingjun were appointed as directors of Hua Ying Securities on 20 December 2021.

(II) Profit Distribution Plan

The net profit of Hua Ying Securities in 2021 was RMB71,576,185.34. According to the relevant requirements of the Company Law, Securities Law, Financial Rules for Financial Enterprises and Articles of Association, after appropriating 10% of statutory provident fund, 10% of general risk reserve and 10% of trading risk reserve, totaling RMB21,472,855.59, the profits attributable to Shareholders for the year amounted to RMB50,103,329.75, plus the balance of the undistributed profit of RMB136,058,007.84 in previous year, the profits attributable to Shareholders for this year was RMB186,161,337.59. Considering comprehensive factors including the development of the company and the interests of the Shareholders, the profit distribution plan of Hua Ying Securities for the year 2021 is as follows: cash dividends of RMB180,000,000.00, and the remaining RMB6,161,337.59 will be carried forward to next year, which shall be implemented subject to the decision by the Shareholders.

(III) Material Litigations

Dispute over the liability for misrepresentation of securities between Hua Ying Securities and Shandong Longlive Bio-Technology Co., Ltd.

In June 2021, Hua Ying Securities received a civil complaint and other relevant legal documents served by Jinan Intermediate People's Court of Shandong Province (山東省濟南市中級人民法院), for reason of the dispute over the liability for misrepresentation of securities. A total of 15 investors including Kang Yaxin (亢雅欣), the plaintiff, filed an ordinary representative lawsuit, requesting Shandong Longlive Bio-Technology Co., Ltd. (hereinafter referred to as "Longlive Bio") to compensate a total of RMB2.7621 million for the investment losses caused by its misrepresentation. Longlive Bio and nineteen defendants, being 17 natural persons including Cheng Shaobo (程少博), Hua Ying Securities and BDO China Shu Lun Pan Certified Public Accountants LLP, are jointly and severally liable for the compensation. As of the disclosure date of this report, the case is still ongoing.

Section 6 Information of Changes of Equity (Capital) and Substantial Shareholders

I. Changes in Shares during the Reporting Period

During the Reporting Period, the Company completed the non-public issuance of A shares with a total of 453,654,168 shares issued. As at the end of the Reporting Period, the total share capital of the Company was 2,831,773,168 shares, of which 2,389,133,168 shares were A Shares and 442,640,000 shares were H Shares.

II. Shareholders as at the End of the Reporting Period

At the end of the Reporting Period, the Company had 94,828 registered shareholders, including 94,723 shareholders of A Shares and 105 registered shareholders of H Shares.

At the end of the Reporting Period, the shareholdings of the top 10 shareholders of the Company were as follows:

Name of Shareholders	Nature of Shareholders	Number of Shares Held (Shares)	Percentages of Shares Held	Number of Shares Changed during the Reporting Period (Shares)	Pledge or Freeze up over Shares Held (Shares)
Guolian Group	State-owned legal person	543,901,329	19.21%	–	Nil
HKSCC (Nominees) Limited (Note 1)	Overseas legal person	442,490,790	15.63%	4000	Nil
Guolian Trust	State-owned legal person	390,137,552	13.78%	–	Nil
Wuxi Electric	State-owned legal person	266,899,445	9.43%	–	Nil
Minsheng Investment	State-owned legal person	73,500,000	2.60%	–	Nil
Cotton Textile	State-owned legal person	72,784,141	2.57%	–	Nil
China Galaxy Securities Co., Ltd.	State-owned legal person	50,927,977	1.80%	50,927,977	Nil
Caitong Fund – Huatai Securities Co., Ltd. – Caitong Fund Junxiang Yongxi Single Asset Management Scheme (財通基金君享永熙單一資產管理計劃)	Others	35,650,624	1.26%	35,650,624	Nil
Everbright Securities Company Limited	State-owned legal person	31,194,295	1.10%	31,194,295	Nil
China International Capital Corporation Limited	State-owned legal person	30,139,505	1.06%	30,138,405	Nil

Note 1: The shares held by HKSCC (Nominees) Limited are for the benefits of non-registered holders of H Shares.

At the end of the Reporting Period, Guolian Group, the Controlling Shareholder of the Company, directly held 19.21% of the shares in the Company, and indirectly held 29.40% of the shares in the Company through Guolian Trust, Wuxi Electric, Minsheng Investment, Cotton Textile and Huaguang Environmental, and thus holding 48.60% of the shares in the Company in total.

III. General Information on Shareholders Holding 10% or More of the Share of the Company

Guolian Group was established in December 1997, and is a wholly state-owned enterprise group contributed and organized by Wuxi State-owned Assets Supervision and Administration Commission with a state-owned asset investment qualification granted. Its registered capital is RMB8,391.11 million. Guolian Group is mainly engaged in capital and assets operation; external investment with proprietary funds; trade consultancy; enterprise management service. The legal representative and general manager of Guolian Group are Mr. Xu Ke and Mr. Hua Weirong respectively.

Guolian Trust was established in January 1987, whose predecessor was Wuxi Trust Investment Company* (無錫市信託投資公司), which was later renamed and changed into a joint stock company with limited liability with a registered capital of RMB3 billion. Guolian Trust is principally engaged in fund trust; chattel trust; real estate trust; marketable securities trust; other property or property right trust. The legal representative and general manager of Guolian Trust is Mr. Zhou Weiping.

IV. Disclosure of Interests

As at 31 December 2021, to the knowledge of the Company's Directors after making reasonable enquiry, the following persons (not being the Directors, Supervisors or chief executives of the Company) have interests or short positions which shall be disclosed to the Company and recorded in the register required to be kept by the Company in the shares and underlying shares of the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of Shareholders	Types of Shares	Nature of Interests	Number of Shares (Note 3)	Percentage of Total Number of Issued Shares of the Company (Note 4)	Percentage of Total Issued A Shares of the Company (Note 4)
Guolian Group (Note1)	A Shares	Beneficial Owner and Interest of Controlled Corporation	1,376,336,123 (L)	48.60%	57.61%
Guolian Trust	A Shares	Beneficial Owner	390,137,552 (L)	13.78%	16.33%
Guolian Industrial (Note 2)	A Shares	Interest of Controlled Corporation	266,899,445 (L)	9.43%	11.17%
Wuxi Electric	A Shares	Beneficial Owner	266,899,445 (L)	9.43%	11.17%

Note 1: Guolian Group is the beneficial owner of 543,901,329 A Shares of the Company, and is deemed to be interested in the following shares in controlled corporations: (i) 390,137,552 A Shares of the Company held by Guolian Trust; (ii) 266,899,445 A Shares of the Company held by Wuxi Electric; (iii) 73,500,000 A Shares of the Company held by Minsheng Investment; (iv) 72,784,141 A Shares of the Company held by Cotton Textile; and (v) 29,113,656 A Shares of the Company held by Huaguang Environmental.

Note 2: Guolian Industrial is deemed to be interested in the 266,899,445 A Shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.

Note 3: (L) denotes long positions.

Note 4: Up to 31 December 2021 and up to the date of this report, the Company issued 2,389,133,168 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,831,773,168.

Save as disclosed above, as at 31 December 2021, the Company is not aware of any other persons (excluding the Directors, Supervisors and chief executives of the Company) having the interests or short positions that are required to be recorded in the register in the shares or underlying shares of the Company under Section 336 of the SFO.

V. Purchase, Sale or Redeem of the Company's Listed Securities

During the Reporting Period, the Company and its subsidiaries did not repurchase, sale or redeem any of the listed securities of the Company.

I. Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Gender	Age	Date of commencement and completion of employment	Number of shares held (Shares)	Remuneration received during the Reporting Period (In RMB ten thousand)	Remarks
				Directors			
Ge Xiaobo	Chairman of the Board (acting) Executive Director, President, Financial Officer	Male	51	7 December 2021 to present 23 October 2019 to 12 June 2022	–	376.00	–
Hua Weirong	Non-executive Director	Male	56	13 June 2019 to 12 June 2022	–	–	–
Zhou Weiping	Non-executive Director	Male	53	13 June 2019 to 12 June 2022	–	–	–
Liu Hailin	Non-executive Director	Male	44	13 June 2019 to 12 June 2022	–	–	–
Zhang Weigang	Non-executive Director	Male	59	13 June 2019 to 12 June 2022	–	–	–
Lu Yuanzhu	Independent Non-executive Director	Male	44	13 June 2019 to 12 June 2022	–	12.00	–
Wu Xingyu	Independent Non-executive Director	Male	45	13 June 2019 to 12 June 2022	–	12.00	–
Chu, Howard Ho Hwa	Independent Non-executive Director	Male	57	27 June 2019 to 12 June 2022	–	12.00	–
Yao Zhiyong	Chairman of the Board (resigned) Non-executive Director (resigned)	Male	50	13 June 2019 to 7 December 2021	–	–	Resigned from all positions of the Company on 7 December 2021.

Name	Position	Gender	Age	Date of commencement and completion of employment	Number of shares held (Shares)	Remuneration received during the Reporting Period (In RMB ten thousand)	Remarks
				Supervisors			
Xu Faliang	Chairman of Supervisory Committee, Shareholder Representative Supervisor	Male	57	7 May 2021 to 12 June 2022	–	138.33	–
Zhou Weixing	Shareholder Representative Supervisor	Male	59	13 June 2019 to 12 June 2022	–	–	–
Ren Jun	Shareholder Representative Supervisor	Male	43	13 June 2019 to 12 June 2022	–	–	–
Shen Ying	Employee Representative Supervisor	Female	53	13 June 2019 to 12 June 2022	–	30.22	–
Yu Lei	Employee Representative Supervisor	Female	48	13 June 2019 to 12 June 2022	–	54.41	–
				Senior Managements			
Yin Hongwei	Vice President	Female	55	5 February 2020 to 12 June 2022	–	276.13	–
Li Qin	Vice President	Male	45	5 February 2020 to 12 June 2022	–	161.60	–
Ma Qunxing	Vice President	Male	45	1 March 2020 to 12 June 2022	–	168.13	–
Wang Jie	Secretary of the Board	Male	52	13 June 2019 to 12 June 2022	–	177.80	–
Wang Jinling	Chief Information Officer	Male	47	13 June 2019 to 12 June 2022	–	250.80	–
Dai Jiechun	Chief Compliance Officer	Male	45	27 August 2020 to 12 June 2022	–	136.80	–
Jiang Zhiqiang	Chief Risk Officer	Male	51	27 May 2021 to 12 June 2022	–	141.37	–
	Chairman of Supervisory Committee, Shareholder Representative Supervisor (resigned)			13 June 2019 to 7 May 2021			Work changes
Chen Xingjun	Chief Risk Officer (resigned)	Male	40	13 June 2019 to 27 May 2021	–	140.42	Work changes

Notes: 1. No Director, Supervisor or senior management of the Company had once held any shares of the Company at the beginning or at the end of the Reporting Period.

2. During the Reporting Period, the Company did not implement any equity incentive schemes for the Directors, Supervisors or senior management of the Company.

3. No non-cash remuneration was ever received by any Directors, Supervisors or senior management of the Company.

4. The remuneration of the Directors, Supervisors and senior management of the Company includes salary before tax, bonus and allowance.

II. Positions held by Current Directors, Supervisors and Senior Management

(I) Positions held in the shareholders

Name	Name of the shareholders	Position held	Date of commencement and completion of employment
Hua Weirong	Guolian Group	Director, President	December 2015 to present
Zhou Weiping	Guolian Trust	Chairman	January 2014 to present
		General Manager (acting)	August 2021 to present
Liu Hailin	Jiangsu Xinfang	General Manager and Executive Director	April 2019 to present
Zhou Weixing	Wuxi Weifu High-technology Co.,Ltd.* (無錫威孚高科技集團股份有限公司)	Senior Expert	May 2021 to present
Ren Jun	Wuxi Municipal Xinfa Group Limited* (無錫市新發集團有限公司)	Deputy General Manager	July 2016 to present

(II) Positions held in other companies

Name	Name of other companies	Position held	Date of commencement and completion of employment
Ge Xiaobo	Hua Ying Securities	Chairman of the Board	December 2021 to present
		Director	November 2019 to present
	Zhonghai Fund	Director	December 2019 to present
	Guolian HK	Director	February 2020 to present
Hua Weirong	Guolian Industrial	Director, President	March 2016 to present
	Guolian Financial Investment (國聯金融投資)	Director, President	June 2012 to present
	Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司)	Director and General Manager	February 2020 to present
	V Capital Co., Ltd.* (一村資本有限公司)	Director	September 2020 to present
Zhou Weiping	Wuxi Rural Commercial Bank Co., Ltd.* (無錫農村商業銀行股份有限公司)	Director	June 2020 to present
Zhang Weigang	General office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司綜合辦公室)	Senoir Staff	September 2019 to present
Lu Yuanzhu	University of Science and Technology Beijing	Professor	March 2022 to present
	Sun Yat-sen University (中山大學)	Professor	August 2020 to February 2022
	Beijing Tianyishangjia New Material Corp., Ltd.	Independent Non-executive Director	December 2018 to present
	Beijing Global Safety Technology Co., Ltd.	Independent Non-executive Director	December 2018 to present
Wu Xingyu	Land Space Technology Corporation Ltd.* (藍箭航天空間科技股份有限公司)	Chief Financial Officer	December 2020 to present
		Director	April 2021 to present
	Shanghai PRET Composites Co., Ltd.	Independent Director	July 2016 to present
	Beijing Tongrentang Co., Ltd.	Independent Director	June 2018 to June 2021
	Sailvan Times Technology Co., Ltd.* (賽維時代科技股份有限公司)	Independent Director	June 2020 to present

Name	Name of other companies	Position held	Date of commencement and completion of employment
Chu, Howard Ho Hwa	Go Capital Limited	Fund partner	January 2014 to present
	BOE Varitronix Limited	Independent Non-executive Director	June 2016 to present
Ren Jun	Wuxi High-Tech Industrial Development Co., Ltd.* (無錫高新技術產業發展股份有限公司)	Chairman of the Board, General Manager	September 2019 to present
	Wuxi Xinfa Integrated Circuit Industrial Park Co., Ltd.* (無錫市新發集成電路產業園有限公司)	Chairman of the Board, General Manager	February 2020 to present
	Wuxi Yungang Venture Capital Co., Ltd.* (無錫市雲港創業投資有限公司)	Executive Director, General Manager	July 2020 to present
	Wuxi Xinwu District Grand Canal Culture Development Co., Ltd.* (無錫市新吳區大運河文化發展有限公司)	Executive Director, General Manager	October 2021 to present
Yin Hongwei	Guolian Capital	Chairman of the Board	April 2020 to present
	Guolian HK	Director	March 2021 to present
Li Qin	Guolian HK	Director	February 2020 to present
	Guolian Chuangxin	Director	July 2019 to March 2022
Wang Jinling	Hua Ying Securities	Chief Information Officer	April 2020 to present
		Director	December 2021 to present
Wang Jie	Hua Ying Securities	Director	December 2021 to present
Jiang Zhiqiang	Zhonghai Fund	Director	November 2011 to present

III. Remuneration Management Information of Directors, Supervisors and Senior Management

(I) Basis of Determination

The remuneration standards for Directors and Supervisors of the Company are determined in accordance with the level of the same industry and the practical situation of the Company, while the remuneration of senior management is decided by the remuneration system of the Company and is determined based on position and performance.

(II) Decision-making Procedures

The non-executive Directors and non-employee Supervisors of the Company do not receive any remuneration from the Company. The remuneration of independent non-executive Directors of the Company is determined by submitting to General Meetings for consideration after reviewing by the Remuneration and Nomination Committee and the Board with reference to industry average norm. The remuneration of executive Directors of the Company is determined after reviewing by the Remuneration and Nomination Committee and the Board and submitting for approval at the General Meetings. The remuneration of employee Supervisors of the Company is determined after reviewing by the Supervisory Committee and submitting for approval at General Meetings. The remuneration of senior management is determined under the remuneration assessment system of the Company and submitting to the Board of the Company for approval after the consideration and approval of the Remuneration and Nomination Committee of the Board.

(III) Non-cash Remuneration Information

During the Reporting Period and up to the date of this report, the Company does not have any equity incentive system. The Directors, Supervisors and senior management of the Company did not hold any shares or options of the Company through the Company's equity incentive system.

(IV) Information of Remuneration Payment to Directors, Supervisors and Senior Management

For details regarding the information of remuneration payment to Directors, Supervisors and senior management of the Company, please refer to the "Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period" under this section. The total remuneration of Directors, Supervisors and senior management of the Company in 2021 was RMB20.8801 million. For the list of top five staff with highest remuneration and the category of remuneration of senior management, please refer to the note 12 to consolidated financial statements in this report.

IV. Changes of Directors, Supervisors and Senior Management during the Reporting Period

(I) Changes of Directors

On 7 December 2021, the Board of the Company received a written resignation letter from Mr. Yao Zhiyong, the chairman of the Company. Owing to job transfer, Mr. Yao Zhiyong tendered his resignation as the chairman of the Company, a Director, the chairman of the Strategy Committee, the chairman of the Risk Control Committee, the authorized representative of the HK Stock Exchange, and all other positions held in the Company and its subsidiaries. His resignation took effect when the resignation letter was delivered to the Board. The Board of the Company has resolved to recommend Mr. Ge Xiaobo, an executive Director and the president, to act as the acting chairman and legal representative of the Company until the day when the new chairman, elected by the Company, commences to perform his/her duties.

(II) Changes of Supervisors

On 18 March 2021, the Company convened the ninth meeting of the fourth session of the Supervisory Committee, which considered and approved the Resolution on the Nomination of Mr. Xu Faliang as the Candidate for Supervisor of the Fourth Session of the Supervisory Committee of the Company (《關於提名徐法良先生為公司第四屆監事會監事候選人的議案》), agreeing to nominate Mr. Xu Faliang as the candidate for Supervisor of the fourth session of the Supervisory Committee of the Company, and submitted to the general meeting of the Company for election, agreeing that after Mr. Xu Faliang is elected, Mr. Jiang Zhiqiang will no longer serve as the Supervisor and chairman of the Supervisory Committee of the Company. On 7 May 2021, the Annual General Meeting of the Company for the Year 2020 considered and approved the Resolution on the Replacement of Supervisors of the Company (《關於更換公司監事的議案》), elected Mr. Xu Faliang as the Supervisor of the Company, and Mr. Jiang Zhiqiang will no longer serve as the Supervisor and the chairman of the Supervisory Committee of the Company. On the same day, the eleventh meeting of the fourth session of the Supervisory Committee of the Company considered and approved the Resolution on the Election of Mr. Xu Faliang as the Chairman of the Supervisory Committee of the Company (《關於選舉徐法良先生為公司監事會主席的議案》), agreeing that Mr. Xu Faliang will serve as the chairman of the Supervisory Committee of the Company, the term of which shall commence from the date of consideration and approval by the Supervisory Committee until the date of the term of the fourth session of the Supervisory Committee expired.

(III) Changes of Senior Management

On 27 May 2021, the Company convened the eighteenth meeting of the fourth session of the Board, which considered and approved the Resolution on Change of Chief Risk Officer (《關於首席風險官變更的議案》), agreeing to appoint Mr. Jiang Zhiqiang as the Chief Risk Officer of the Company, the term of which shall commence from the date of consideration and approval by the Board until the date of the term of the fourth session of the Board expired. Due to job transfer, Mr. Chen Xingjun will no longer serve as the Chief Risk Officer of the Company and will continue to hold other positions in the Company.

V. Biographies of Directors, Supervisors and Senior Management

(I) Directors

Mr. Ge Xiaobo (葛小波), born in 1970, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the Chairman of the Board (acting), president and financial officer of the Company, and concurrently serves as the chairman of Hua Ying Securities, a director of Zhonghai Fund and Guolian HK, a member supervisor of SAC, the vice director of Development Strategy Committee, a member of International Accounting Standards Committee and a member of China Industrial Cooperation Economics Association. He joined CITIC Securities Company Limited since 1997, and previously served as the manager and senior manager of its investment banking department, deputy director of the A Shares listing office, deputy general manager and executive general manager of the risk control department, administrative person-in-charge of the trading and derivatives department, planning and finance department, risk management department, and overseas business and fixed income business, a member of the executive committee, the person-in-charge of accounting affairs and chief risk officer. He had concurrently served as the director of CITIC Securities International, CLSAB.V., China Asset Management, CITIC Securities Investment and CITIC Private Equity Funds, etc., the chairman of the international strategy committee and the vice chairman of the overseas committee of SAC.

Mr. Hua Weirong (華偉榮), born in 1965, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration and is a senior accountant. He is currently the director and president of Guolian Group, director and general manager of Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司), director and president of Guolian Financial Investment, director and president of Guolian Industrial, and director of V-Capital Co., Ltd* (一村資本有限公司). He is a Director of the Company since May 2008 to date. He served as a clerk of the department of budget management and the department of the comprehensive planning and the deputy section chief of the department of comprehensive planning of Wuxi Finance Bureau (無錫市財政局), department manager, assistant to general manager and deputy general manager of Wuxi Trust Investment Co., Ltd.* (無錫市信託投資公司), director and president of the Company, director and vice president of Guolian Group, chairman of the board of Zhonghai Fund, chairman of the board of Guolian Trust, director of China Asset Management Co., Ltd., director and chairman of the board of Wuxi Guolian Venture Capital Co., Ltd.* (無錫國聯創業投資有限公司), director of Wuxi Rural Commercial Bank Co., Ltd.* (無錫農村商業銀行股份有限公司), director of Jiangsu Yixing Rural Commercial Bank Co., Ltd.* (江蘇宜興農村商業銀行股份有限公司), director and chairman of the board of Jiangsu Asset Management Co., Ltd.* (江蘇資產管理有限公司), director and chairman of the board of Wuxi Baolian Investment Co., Ltd.* (無錫市寶聯投資有限公司), director and chairman of the board of Wuxi Delian Investment Co., Ltd.* (無錫市德聯投資有限公司), director and chairman of the board of Wuxi Liantai Venture Capital Co., Ltd.* (無錫聯泰創業投資有限公司), chairman of the board of Guolian Life Insurance Co., Ltd.* (國聯人壽保險股份有限公司), chairman of the board of Guolian Financial Holding Group Co., Limited* (國聯金融控股集團有限公司) and chairman of the board of Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), the legal representative of Guolian Industrial, the legal representative of Guolian Financial Investment, the chairman of the board and legal representative of Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司) and legal representative of Guolian Group.

Mr. Zhou Weiping (周衛平), born in 1968, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the chairman of the board and general manager (acting) of Guolian Trust, a director of Wuxi Rural Commercial Bank Co., Ltd.* (無錫農村商業銀行股份有限公司). He is a Director of the Company since June 2016 to date. He previously served as an accountant of Wuxi Mineral Exploration Machinery Factory* (無錫市探礦機械總廠), finance manager of Wuxi Hengda Securities Co., Ltd.* (無錫恆達證券公司), deputy manager of Shanghai Handan Road Branch of Wuxi Trust Investment Co., Ltd.* (無錫市信託投資公司), deputy manager and manager of Kaixin Securities Branch of Wuxi Trust Investment Co., Ltd.* (無錫市信托投資公司), general manager of the Brokerage Department of the Company, general manager of Wuxi Guolian Futures Brokerage Co., Ltd.* (無錫國聯期貨經紀有限公司), finance manager of Guolian Group, chairman of the board of Wuxi Guolian Futures Brokerage Co., Ltd. and executive director, president, interim chief executive officer and interim chief financial officer of Suntech Power Holdings Co., Ltd.

Mr. Liu Hailin (劉海林), born in 1977, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree in management. He is currently the general manager and executive director of Jiangsu Xinfang. He is a Director of the Company since May 2008 to date. He previously served as a technician, head of workshop and deputy general manager of Jiangsu Xinfang.

Mr. Zhang Weigang (張偉剛), born in 1962, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree. He is currently the senior staff of General office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司綜合辦公室). He is a Director of the Company since February 2016 to date. He previously served as the director of County Branch of Wuxi Postal Office* (無錫郵電局縣分局), director of Xinan Center Branch* (錫南中心局), manager of the property company and general manager of Wuxi Postal Communication Development Company* (無錫郵政局通信發展公司) and deputy director of the management service department and the multi-function department, director of the telecommunication business department of Wuxi Postal Office* (無錫郵政局), general manager of Wuxi Postal Communication Development Company* (無錫郵政通信發展公司), general manager of Wuxi Jinhong Telecommunications Group Co., Ltd.* (無錫金鴻通信集團有限公司), and director of the logistics service center and the manager of Xinwu District branch office of Wuxi municipal branch of China Post Group Company* (中國郵政集團公司無錫市分公司).

Mr. Lu Yuanzhu (盧遠矚), born in 1977, Chinese nationality with no right of permanent residency abroad, holds a doctoral degree in economics. He is currently a professor at the School of Economics and Management of University of Science and Technology Beijing, independent non-executive director of Beijing Global Safety Technology Co., Ltd* (北京辰安科技股份有限公司) (300523.SZ) and Beijing Tianyishangjia New Material Corp., Ltd.* (北京天宜上佳高新材料股份有限公司) (688033.SH). He is an independent non-executive Director of the Company since March 2017 to date. He previously served as an assistant professor, associate professor and professor of China Economics and Management Academy of the Central University of Finance and Economics* (中央財經大學中國經濟與管理研究院), independent non-executive director of eFuture Holding Inc.* (北京富基融通科技有限公司) and a professor at the School of International Finance of Sun Yat-sen University.

Mr. Wu Xingyu (吳星宇), born in 1976, Chinese nationality with no right of permanent residency abroad, holds a master's degree, the non-practising member certificate of Chinese Public Accountant, the PRC lawyer's qualification certificate and USA Chartered Financial Analyst (CFA) certificate. He is currently the director and chief financial officer of Land Space Technology Corporation Ltd.* (藍箭航天空間科技股份有限公司), independent director of Shanghai PRET Composites Co., Ltd. (上海普利特複合材料股份有限公司) (002324.SZ) and Sailvan Times Technology Co., Ltd.* (賽维時代科技股份有限公司). He is an independent non-executive director of the Company since November 2018 to date. He previously served as deputy general manager and chief financial officer of Aotecar New Energy Technology Co., Ltd. (奧特佳新能源科技股份有限公司) (002239.SZ), independent director of Anhui Tongfeng Electronics Company Limited (安徽銅峰電子股份有限公司) (600237.SH), Hubei Jumpcan Pharmaceutical Co., Ltd. (湖北濟川藥業股份有限公司) (600566.SH), vice president and secretary to the board of Shanying International Holdings Co., Ltd. (山鷹國際控股股份公司) (600567.SH) and independent director of Beijing Tongrentang Co., Ltd. (北京同仁堂股份有限公司) (600085.SH).

Mr. Chu, Howard Ho Hwa (朱賀華), born in 1964, a resident of Hong Kong, China, holds a master's degree in business administration. He is currently a fund partner of Go Capital Limited and an independent non-executive director of BOE Varitronix Limited (0710.HK). He is an independent non-executive director of the Company since June 2019 to date. He previously served as the director of ABN AMRO Asia Corporate Finance Ltd., co-CEO and co-founder of Hong Kong MyRice.com, director of HSBC Investment Bank, chief investment officer of Shanghai Century Acquisition Corporation, assistant to chairman of United Energy Group Limited (0467.HK), chief financial officer of Trony Solar (2468.HK, delisted), independent non-executive director of Directel Holdings Limited (8337.HK), independent non-executive director of China Kingstone Mining Holdings Limited (1380.HK), chief financial officer of China Smart Electric Group Limited* (中國智能電氣集團有限公司), independent non-executive director of Weichai Power Co., Ltd. (2338.HK) and the chief executive officer of mReferral Corporation (HK) Limited.

(II) Supervisors

Mr. Xu Faliang (徐法良), born in 1964, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree. He is currently the chairman of the Supervisory Committee, the secretary of the discipline inspection committee and the chairman of the labour union of the Company. He once served as the financial manager, deputy general manager and general manager of the Securities Branches of the Company, the general manager of the Auditing Department and chief compliance officer of the Company, the chairman of the supervisory committee of Guolian Futures Co., Ltd., the chief compliance officer of Hua Ying Securities.

Mr. Zhou Weixing (周衛星), born in 1963, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree in economics. He is currently a senior expert of Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司). He is the Supervisor of the Company since August 2013 to date. He previously served as the deputy director, director and the securities representative and the secretary to the board of the securities department of Wuxi Weifu High-technology Co., Ltd.* (無錫威孚高科技集團股份有限公司).

Mr. Ren Jun (任俊), born in 1978, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the deputy general manager of Wuxi Municipal Xinfa Group Limited* (無錫市新發集團有限公司), chairman of the board and general manager of Wuxi High-Tech Industrial Development Co., Ltd.* (無錫高新技術產業發展股份有限公司), chairman of the board and general manager of Wuxi Xinfa Integrated Circuit Industrial Park Co., Ltd.* (無錫市新發集成電路產業園有限公司), executive director and general manager of Wuxi Yungang Venture Capital Co., Ltd.* (無錫市雲港創業投資有限公司) and executive director and general manager of Wuxi Xinwu District Grand Canal Culture Development Co., Ltd.* (無錫市新吳區大運河文化發展有限公司). He is the Supervisor of the Company since March 2017 to date. He previously served as the corporate accountant, customer manager and head of consumer finance of Wuxi Municipal Commercial Bank* (無錫市商業銀行), assistant to general manager and head of human resources department of Wuxi Jinbawang Motorcycle Technology Co., Ltd.* (無錫金霸王機車科技有限公司), executive deputy general manager of Jiangsu Jinshan Information Industry Company Limited (江蘇金山信息產業有限公司), deputy general manager of Wuxi Zhushang HiTech. Logistics Co., Ltd. (無錫住商高新物流有限公司)and vice-chairman of the Wuxi New District Federation of Trade Unions* (無錫市新區總工會).

Ms. Shen Ying (沈穎), born in 1968, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree and is an intermediate accountant. She is currently the audit manager of the Auditing Department of the Company. She is the employee representative Supervisor of the Company since June 2016 to date. She previously served as a staff of the financial department of Wuxi Mechanical and Electrical Equipment Co., Ltd.* (無錫市機電設備有限公司), financial manager of Securities Branches and financial head of Financial and Accounting Department of the Company.

Ms. Yu Lei (虞蕾), born in 1974, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree and is an intermediate accountant. She is currently the head of the accounting support group of the Financial and Accounting Department of the Company. She is the employee representative Supervisor of the Company since June 2016 to date. She previously served as the accountant of the Securities Branch, audit staff of the Auditing Department, financial manager of the Securities Branch and general accountant of the Financial and Accounting Department of the Company.

(III) Senior Management

Ms. Yin Hongwei (尹紅衛), born in 1966, Chinese nationality with no right of permanent residency abroad, holds a bachelor's degree. She is currently the vice president of the Company, and concurrently serves as the chairman of Guolian Capital and a director of Guolian HK. She was a former teacher of Hubei Commercial College* (湖北商業專科學校), head office accountant of Hainan Guangsheng Industrial Co., Ltd.* (海南光盛實業有限公司), deputy manager and manager of the registration department of Hainan Securities Exchange Center* (海南證券交易中心登記部), assistant to general manager and deputy general manager of Exchange Center* (交易中心), deputy general manager of Shenzhen Securities Branch of Tiantong Securities* (天同證券深圳營業部), general manager of the securities branch of Shenzhen headquarters, general manager of Shenzhen Branch, and executive general manager of the wealth management department of the headquarters of CITIC Securities.

Mr. Li Qin (李欽), born in 1976, Chinese nationality with no right of permanent residency abroad, holds a master's degree in economics. He is currently the vice president of the Company, and concurrently serves as a director of Guolian HK. He previously served in the risk management department of CITIC Securities, deputy general manager and administrative person-in-charge of the risk management department of Founder Securities, and a director of Guolian Chuangxin.

Mr. Ma Qunxing (馬群星), born in 1976, Chinese nationality with no right of permanent residency abroad, holds a master's degree in engineering. He is currently the vice president of the Company. He previously served as the assistant engineer and deputy director of the technical section of the Second Plant of Xishan Organic Chemical* (錫山有機化工二廠), equipment engineer and process engineer of Shanghai Aijian Initiator Co., Ltd.* (上海愛建引發劑有限公司), process supervisor of New Meiya Circuit (Wuxi) Co., Ltd.* (新美亞電路 (無錫) 有限公司), China Marketing Manager and Asia Pacific purchasing manager of Solvay Investment Co., Ltd. (Rhodiahe Merger)* (索爾維投資有限公司 (羅地亞合併)). He previously served as the chief researcher, deputy director and director of the Research Institute of the Company.

Mr. Wang Jie (王捷), born in 1970, Chinese nationality with no right of permanent residency abroad, holds a master's degree in economics. He is currently the secretary to the Board and general manager of the human resources department of the Company, and concurrently serves as director of Hua Ying Securities. He previously served as the director of the human resources department, executive general manager, managing director and head of department administration of CITIC Securities, assistant to general manager of the president office in CITIC Holdings Co., Ltd., director of human resources in CITIC Securities (Shandong) Co., Ltd. and senior partner of Shanghai Corplution Consulting* (上海愷訊咨詢公司).

Mr. Wang Jinling (汪錦嶺), born in 1974, Chinese nationality with no right of permanent residency abroad, holds a doctoral degree in engineering and is a senior engineer. He holds the Chinese Certified Public Accountant Certificate and Chinese Actuary Certificate. He is currently the chief information officer of the Company, and concurrently serves as the director and chief information officer of Hua Ying Securities. He previously served as the clerk of Anhui Chaohu Branch of China Construction Bank Corporation, associate researcher of NEC China Research Institute, assistant to departmental general manager of PICC Life Insurance Company Limited, researcher of CSRC, deputy of the information technology center and executive general manager in CITIC Securities Co., Ltd.

Mr. Dai Jiechun (戴潔春), born in 1976, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration and is an internationally registered internal auditor, internationally registered risk management confirmer and senior accountant. He is currently the director of compliance of the Company. He previously served as an audit staff of Jiangsu Accounting Firm* (江蘇會計師事務所) (now known as Talent Certified Public Accountants), grade-five assistant of the Institutional Supervision Division of the Nanjing Special Office of CSRC* (中國證監會南京特派辦機構監管處), grade-five assistant and clerk of the Institutional Supervision Division of Jiangsu Securities Regulatory Bureau* (江蘇證監局機構監管處), and staff member, senior staff member and principal staff member of the Inspection Division of Jiangsu Securities Regulatory Bureau* (江蘇證監局稽查處), principal staff member, associate researcher and deputy director of the First Division of Listed Company Supervision of Jiangsu Securities Regulatory Bureau* (江蘇證監局上市公司監管一處), deputy director of Corporate Supervision Division of Jiangsu Securities Regulatory Bureau* (江蘇證監局公司監管處), deputy director and grade-two researcher of Accounting Supervision Division of Jiangsu Securities Regulatory Bureau* (江蘇證監局會計監管處).

Mr. Jiang Zhiqiang (江志強), born in 1970, Chinese nationality with no right of permanent residency abroad, holds a master's degree in business administration. He is currently the Chief Risk Officer of the Company, and concurrently serves as a director of Zhonghai Fund. He previously served as the manager of the Securities Investment Department, general manager of the Securities Branches, general manager of Wealth Management Center, the general manager of the Asset Management Department, assistant to president, vice president and the chairman of the Supervisory Committee of the Company.

VI. Information about Staff and Remuneration of the Company and Major Subsidiaries

(I) Staff

Items	Number of Staff
Number of employees in parent company	1,819
Number of employees in major subsidiaries	450
Total number of employees	2,269
Number of retired employees whose parent company and major subsidiaries undertake the expenses	74

Professional Structure	
Professional Category	Number of Professionals
Brokerage and wealth management business	1,259
Investment banking business	432
Assets management business	116
Proprietary trading business	10
Fixed income business	30
Equity derivatives business	21
Credit transactions business	16
Research	54
Institutional sales business	12
Operation, custody and liquidation	30
Risk control	17
Compliance, legal and audit	34
Information technology	127
Planning and finance	49
Administration	39
Others	23
Total	2,269

Education Background	
Education Background Category	Number of Staff (Headcount)
Doctoral Degree	17
Master's Degree	876
Bachelor's Degree	1,280
College Degree or below	96
Total	2,269

(II) Staff Remuneration

Please refer to Section 9 "III, Social and Governance Report" of this report for details.

Section 8 Corporate Governance Report

The Company has adopted various policies to ensure compliance with the code provisions in force of CG Code under Appendix 14 of the Listing Rules.

I. Corporate Governance Overview

As a company with its A Shares listed in the PRC and its H Shares listed in Hong Kong, the Company has operated in strict compliance with laws, regulations and normative documents at the places of listing, and kept committed to maintaining and improving its sound social image. Pursuant to the Company Law, the Securities Law and other applicable laws, regulations and regulatory provisions, the Company has formed a corporate governance structure under which the General Meeting, Board, Supervisory Committee, and the management have their powers separated for checks and balances and perform their respective duties, so as to ensure regulated operation of the Company. The convening and voting procedures for General Meetings and meetings of the Board and Supervisory Committee are legal and valid; the information disclosed by the Company is true, accurate and complete and is disclosed in time; the management of investor relations is efficient and practical; and the corporate governance is based on scientific, rigorous and normative procedures. As at the end of the Reporting Period, the Company has strictly complied with the CG Code, complied with other code provisions and principles in force other than Code Provision C.2.1 and satisfied with most of the requirements for recommended best practices specified in the CG Code.

II. General Meetings, Board Meetings, Supervisory Committee Meetings and Resolutions during the Reporting Period

During the Reporting Period, the Company convened the first extraordinary general meeting for the year 2021, the second extraordinary general meeting for the year 2021, the first class meeting for A shareholders for the year 2021, the first class meeting for H shareholders for the year 2021, the 2020 annual general meeting, the third extraordinary general meeting for the year 2021, nine Board meetings and six Supervisory Committee meetings.

(I) General Meetings

1. The first extraordinary general meeting for the year 2021 was convened on 5 February 2021, which considered and approved the followings: Resolution on the Amendments to the Articles of Association and its Attachments (《關於修訂〈公司章程〉及其附件的議案》).

2. The second extraordinary general meeting for the year 2021 was convened on 1 March 2021, which considered and approved the followings: Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company (《關於公司符合非公開發行A股股票條件的議案》), Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), Resolution on the Plan for the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票預案的議案》), Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company (《關於公司非公開發行A股股票募集資金使用的可行性報告的議案》), Resolution on the Report on the Use of Proceeds Previously Raised by the Company (《關於公司前次募集資金使用情況的報告的議案》), Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company (《關於提請股東大會授權董事會及董事會轉授權經營層辦理公司非公開發行A股股票具體事宜的議案》), Resolution on the Plans of the Shareholders' Return in the Next Three Years (《關於未來三年股東回報規劃的議案》) and Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company (《關於公司非公開發行A股股票攤薄即期回報及填補措施的議案》).

3. The first class meeting for A shareholders for the year 2021 was convened on 1 March 2021, which considered and approved the followings: Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), Resolution on the Plan for the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票預案的議案》), Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company (《關於公司非公開發行A股股票募集資金使用的可行性報告的議案》), Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company (《關於公司非公開發行A股股票攤薄即期回報及填補措施的議案》) and Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company (《關於提請股東大會授權董事會及董事會轉授權經營層辦理公司非公開發行A股股票具體事宜的議案》).

4. The first class meeting for H shareholders for the year 2021 was convened on 1 March 2021, which considered and approved the followings: Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), Resolution on the Plan for the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票預案的議案》), Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company (《關於公司非公開發行A股股票募集資金使用的可行性報告的議案》), Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company (《關於公司非公開發行A股股票攤薄即期回報及填補措施的議案》) and Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company (《關於提請股東大會授權董事會及董事會轉授權經營層辦理公司非公開發行A股股票具體事宜的議案》).

5. The 2020 annual general meeting was convened on 7 May 2021, which considered and approved the followings: Work Report of the Board of Directors for the Year 2020 (《2020年度董事會工作報告》), Work Report of the Supervisory Committee for the Year 2020 (《2020年度監事會工作報告》), Annual Report for the Year 2020 (《2020年年度報告》), Final Accounts Report for the Year 2020 (《2020年度財務決算報告》), Profit Distribution Plan for the Year 2020 (《2020年度利潤分配方案》), Resolution on the Remuneration Distribution of Directors for the Year 2020 (《2020年度董事薪酬分配議案》), Resolution on the Remuneration Distribution of Supervisors for the Year 2020 (《2020年度監事薪酬分配議案》), Resolution on the Re-appointment of Audit Institutions of the Company for the Year 2021 (《關於續聘公司2021年度審計機構的議案》), Resolution on the Proprietary Business Scale of the Company for the Year 2021 (《關於公司2021年度自營業務規模的議案》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2021 (《關於預計公司2021年度日常關聯交易的議案》) and Resolution on the Change of Supervisor of the Company (《關於更換公司監事的議案》).

6. The third extraordinary general meeting for the year 2021 was convened on 1 December 2021, which considered and approved the followings: Resolution on Purchasing Liability Insurance for Directors, Supervisors and Senior Management (《關於購買董監高責任險的議案》), Resolution on Applying for Expanding the Business Scope of the Company (《關於申請增加公司業務範圍的議案》), Resolution on Change of Registered Capital (《關於變更註冊資本的議案》) and Resolution on the Amendments to the Articles of Association and its Attachments (《關於修訂〈公司章程〉及其附件的議案》).

(II) Board Meetings

1. The fifteenth meeting of the fourth session of the Board was convened on 5 February 2021, which considered and approved the following: Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company (《關於公司符合非公開發行A股股票條件的議案》), Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), Resolution on the Plan for the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票預案的議案》), Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company (《關於公司非公開發行A股股票募集資金使用的可行性報告的議案》), Resolution on the Report on the Use of Proceeds Previously Raised by the Company (《關於公司前次募集資金使用情況的報告的議案》), Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company (《關於公司非公開發行A股股票攤薄即期回報及填補措施的議案》), Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company (《關於提請股東大會授權董事會及董事會轉授權經營層辦理公司非公開發行A股股票具體事宜的議案》), Resolution on the Plans of the Shareholders' Return in the Next Three Years (《關於未來三年股東回報規劃的議案》), Resolution on Convening of the Second Extraordinary General Meeting for the Year 2021, the First Class Meeting for A Shareholders for the Year 2021 and the First Class Meeting for H Shareholders for the Year 2021 of the Company (《關於召開公司2021年第二次臨時股東大會，2021年第一次A股類別股東大會和2021年第一次H股類別股東大會的議案》) and Resolution on the Amendments to the Management Measures on Corporate Bonds of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司公司債券管理辦法〉的議案》).

2. The sixteenth meeting of the fourth session of the Board was convened on 18 March 2021, which considered and approved the following: Work Report of the Board of Directors for the year 2020 (《2020年度董事會工作報告》), Work Report of the President for the Year 2020 (《2020年度總裁工作報告》), Annual Report for the Year 2020 (《2020年年度報告》), Report on Performance of Audit Committee of the Board for the Year 2020 (《董事會審計委員會2020年度履職情況報告》), Duty Report of the Independent Directors for the Year 2020 (《2020年度獨立董事述職報告》), Resolution on the Remuneration Distribution of Directors and Senior Management for the Year 2020 (《2020年度董事、高管薪酬分配議案》), Assessment Report for the Compliance Director of the Board for the Year 2020 (《董事會關於2020年度合規總監的考核報告》), Social Responsibility and Environmental, Social and Governance Report for the Year 2020 (《2020年度社會責任暨環境、社會及管治報告》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2021 (《關於預計公司2021年度日常關聯交易的議案》), Final Accounts Report for the Year 2020 (《2020年度財務決算報告》), Profit Distribution Proposal for the Year 2020 (《2020年度利潤分配預案》), Resolution on the Re-appointment of Audit Institutions for the Year 2021 (《關於續聘2021年度審計機構的議案》), Resolution on the Special Report regarding Deposit and Actual Use of Proceeds of the Company for the Year 2020 (《關於公司2020年度募集資金存放與實際使用情況的專項報告》), Report on Comprehensive Risk Management for the Year 2020 (《2020年度全面風險管理報告》), Risk Preference and Risk Tolerance for the Year 2021 (《2021年風險偏好及風險容忍度》), Resolution on the Proprietary Business Scale of the Company for the Year 2021 (《關於公司2021年自營業務規模的議案》), Report on the Compliance Management for the Year 2020 (《2020年度合規管理工作報告》), Report on Anti-Money Laundering for the Year 2020 (《2020年度反洗錢工作報告》), Internal Control Evaluation Report for the Year 2020 (《2020年度內部控制評價報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2020 (《關於提請審議公司2020年度重大關聯交易專項審計報告的議案》), Special Report on Information Technology Management for the Year 2020 (《2020年度信息技術管理專項報告》), Resolution on Contribution to the Establishment of Jiangsu Time-honoured Industrial Investment Fund and Related Party Transactions (《關於出資設立江蘇老字號產業投資基金暨關聯交易的議案》) and Resolution on Convening of Annual General Meeting for the Year 2020 (《關於召開2020年度股東大會的議案》).

3. The seventeenth meeting of the fourth session of the Board was convened on 29 April 2021, which considered and approved the following: 2021 First Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年第一季度報告》), Resolution on the Amendments to the Basic System of the Comprehensive Risk Management of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司全面風險管理基本制度〉的議案》) and Resolution on Development of the Management Rules on the Shares of the Company Held by Directors, Supervisors and Senior Management of Guolian Securities Co., Ltd. and the Changes Thereof (《關於制定〈國聯證券股份有限公司董事、監事和高級管理人員所持公司股份及其變動管理制度〉的議案》).

4. The eighteenth meeting of the fourth session of the Board was convened on 27 May 2021, which considered and approved the following: Resolution on Change of Chief Risk Officer (《關於首席風險官變更的議案》).

5. The nineteenth meeting of the fourth session of the Board was convened on 18 June 2021, which considered and approved the following: Resolution on Establishment of Public Offering Business Department and Application for the Qualification for Public Offering Fund Management Business (《關於設立公募業務部並申請公募基金管理業務資格的議案》), Resolution on the Amendments to Information Disclosure Management System of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司信息披露事務管理制度〉的議案》) and Resolution on the Amendments to Registration Management System of Persons with Knowledge of Inside Information of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司內幕信息知情人登記管理制度〉的議案》).

6. The twentieth meeting of the fourth session of the Board was convened on 24 August 2021, which considered and approved the following: 2021 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年半年度報告》), Resolution on Consideration of 2021 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司2021年度中期全面風險管理報告的議案》), Resolution on Increasing the Registered capital of Guolian Capital Co., Ltd. (《關於國聯通寶資本投資有限責任公司增加註冊資本的議案》), Resolution on Reducing the Registered Capital of Hua Ying Securities Co., Ltd. (《關於華英證券有限責任公司減少註冊資本的議案》), Resolution on Providing Guarantee for Guolian Securities (Hong Kong) Limited (《關於為國聯證券(香港)有限公司提供擔保的議案》), Resolution on the Amendments to the Honest Employment Management Measures of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司廉潔從業管理辦法〉的議案》), Resolution on the Amendments to the Authorization Management Measures of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司授權管理辦法〉的議案》) and Resolution on De-registration of One Securities Branch (《關於撤銷1家證券營業部的議案》).

7. The twenty-first meeting of the fourth session of the Board was convened on 27 September 2021, which considered and approved the following: Resolution on Charitable Donations (《關於公益捐贈的議案》).

8. The twenty-second meeting of the fourth session of the Board was convened on 28 October 2021, which considered and approved the following: 2021 Third Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年第三季度報告》), Resolution on Change of Registered Capital (《關於變更註冊資本的議案》), Resolution on the Amendments to the Articles of Association and its Attachments (《關於修訂〈公司章程〉及其附件的議案》), Resolution on Purchasing Liability Insurance for Directors, Supervisors and Senior Management (《關於購買董監高責任險的議案》), Resolution on the Amendments to the Measures for the Implementation of Assessment on the Effectiveness of Compliance Management of Guolian Securities Co., Ltd. (《關於修訂〈國聯證券股份有限公司合規管理有效性評估實施辦法〉的議案》), Resolution on Development of the Management Measures for Internal Control Evaluation of Guolian Securities Co., Ltd. (《關於制定〈國聯證券股份有限公司內部控制評價工作管理辦法〉的議案》), Resolution on Development of the Management System of Enterprise Culture Construction of Guolian Securities Co., Ltd. (《關於制定〈國聯證券股份有限公司企業文化建設管理制度〉的議案》), Resolution on De-registration of Two Securities Branches (《關於撤銷2家證券營業部的議案》), Resolution on the Establishment of Branch Offices and Securities Branches in Hainan Province (《關於在海南省設立分公司及證券營業部的議案》), Resolution on Applying for Expanding the Business Scope of the Company (《關於申請增加公司業務範圍的議案》) and Resolution on Convening of the Third Extraordinary General Meeting for the Year 2021 (《關於召開2021年第三次臨時股東大會的議案》).

9. The twenty-third meeting of the fourth session of the Board was convened on 7 December 2021, which considered and approved the following: Resolution on Recommendation of a Director to Act on behalf of the Chairman (《關於推舉董事代行董事長職責的議案》), Resolution on Change of the Company's Authorized Person in the E-Submission System of the HK Stock Exchange (《關於變更公司在香港聯交所電子呈交系統授權人士的議案》), Resolution on Change of the Company's Authorized Representative on the HK Stock Exchange (《關於變更公司在香港聯交所授權代表的議案》), Resolution on Establishment of Training Centers and Equity Sales and Trading Departments (《關於增設培訓中心、股票銷售交易部的議案》) and Resolution on the Proposal for Considering of the Money Laundering and Terrorist Financing Risk Self-Assessment Report of Guolian Securities Co., Ltd. for the Year 2020 (《關於提請審議〈國聯證券股份有限公司2020年度洗錢和恐怖融資風險自評估報告〉的議案》).

(III) Supervisory Committee Meetings

1. The eighth meeting of the fourth session of the Supervisory Committee was convened on 5 February 2021, which considered and approved the followings: Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company (《關於公司符合非公開發行A股股票條件的議案》), Resolution on the Proposed Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票方案的議案》), Resolution on the Plan for the Non-public Issuance of A Shares of the Company (《關於公司非公開發行A股股票預案的議案》), Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company (《關於公司非公開發行A股股票募集資金使用的可行性報告的議案》), Resolution on the Report on the Use of Proceeds Previously Raised by the Company (《關於公司前次募集資金使用情況的報告的議案》), Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company (《關於公司非公開發行A股股票攤薄即期回報及填補措施的議案》) and Resolution on the Plans of the Shareholders' Return in the Next Three Years (《關於未來三年股東回報規劃的議案》).

2. The ninth meeting of the fourth session of the Supervisory Committee was convened on 18 March 2021, which considered and approved the followings: Annual Report for the Year 2020 (《2020年年度報告》), Social Responsibility and Environmental, Social and Governance Report for the Year 2020 (《2020年度社會責任暨環境、社會及管治報告》), Resolution on the Estimated Ordinary Related Party Transactions of the Company for the Year 2021 (《關於預計公司2021年度日常關聯交易的議案》), Final Accounts Report for the Year 2020 (《2020年度財務決算報告》), Profit Distribution Proposal for the Year 2020 (《2020年度利潤分配預案》), Resolution on the Special Report regarding Deposit and Actual Use of Proceeds of the Company for the Year 2020 (《關於公司2020年度募集資金存放與實際使用情況的專項報告》), Report on Comprehensive Risk Management for the Year 2020 (《2020年度全面風險管理報告》), Report on the Compliance Management for the Year 2020 (《2020年度合規管理工作報告》), Report on Anti-Money Laundering for the Year 2020 (《2020年度反洗錢工作報告》), Internal Control Evaluation Report for the Year 2020 (《2020年度內部控制評價報告》), Resolution on the Proposal for Considering the Special Audit Report on Major Related Party Transactions of the Company for the Year 2020 (《關於提請審議公司2020年度重大關聯交易專項審計報告的議案》), Work Report of the Supervisory Committee for the Year 2020 (《2020年度監事會工作報告》), Resolution on the Remuneration Distribution of Supervisors for the Year 2020 (《2020年度監事薪酬分配議案》) and Resolution on the Nomination of Mr. Xu Faliang as the Candidate for Supervisor of the Fourth Session of the Supervisory Committee of the Company (《關於提名徐法良先生為公司第四屆監事會監事候選人的議案》).

3. The tenth meeting of the fourth session of the Supervisory Committee was convened on 29 April 2021, which considered and approved the followings: 2021 First Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年第一季度報告》).

4. The eleventh meeting of the fourth session of the Supervisory Committee was convened on 7 May 2021, which considered and approved the followings: Resolution on Election of Mr. Xu Faliang as the Chairman of the Supervisory Committee of the Company (《關於選舉徐法良先生為公司監事會主席的議案》).

5. The twelfth meeting of the fourth session of the Supervisory Committee was convened on 24 August 2021, which considered and approved the followings: 2021 Interim Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年半年度報告》) and Resolution on Consideration of 2021 Interim Report on Comprehensive Risk Management of Guolian Securities Co., Ltd. (《關於審議國聯證券股份有限公司2021年度中期全面風險管理報告的議案》).

6. The thirteenth meeting of the fourth session of the Supervisory Committee was convened on 28 October 2021, which considered and approved the followings: 2021 Third Quarterly Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年第三季度報告》), Resolution on Purchasing Liability Insurance for Directors, Supervisors and Senior Management (《關於購買董監高責任險的議案》) and Resolution on the Amendments to the Rules and Procedures of the Supervisory Committee (《關於修訂〈監事會議事規則〉的議案》).

III. Board of Directors

Composition of the Board

As at the end of the Reporting Period, the fourth session of the Board comprised eight Directors, including one executive Director, namely Mr. Ge Xiaobo (Chairman (acting), President), four non-executive Directors, namely Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang, and three independent non-executive Directors, namely Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa.

All of Directors possess the skills, experience and expertise either in the industry or relevant to the management of the business of the Company.

(I) Chairman and President

Mr. Yao Zhiyong resigned as the chairman on 7 December 2021, as approved by the Board, Mr. Ge Xiaobo acts as the acting chairman, resulting in the chairman and president of the Company are acted as by the same individual. Pursuant to C.2.1 of the CG Code, the role of chairman and president should be segregated and should not be performed by the same individual. During the period when Mr. Ge Xiaobo, the chief executive officer of the Company, acts as the acting chairman of the Board, despite deviating from Code Provision C.2.1 of the Listing Rules, under the supervision of the Board which comprises of one executive Director, four non-executive Directors and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

(II) Non-executive Directors and Independent Non-executive Directors

As at the end of the Reporting Period, the Company had four non-executive Directors and three independent non-executive Directors. The Company entered into a service contract with each non-executive Director and independent non-executive Director, the term of which commences from 13 June 2019, or the date on which such qualification was approved by CSRC (whichever is later) and will end till the expiration of term of the fourth session of the Board.

The Company confirmed that it had received annual confirmations issued by each independent non-executive Director in respect of their independence according to Rule 3.13 of the Listing Rules. The Company further confirmed the independence of the independent non-executive Directors.

(III) Relationship Between Board Members

None of the Directors, Supervisors and senior management of the Company has any relationship (including financial, business, family or other material/relevant relations) between each other.

(IV) Roles and Responsibilities of the Board

The Board is responsible for the leadership, control and promotion of success of the Company by directing and supervising its business operations in the interests of the shareholders through the ways of formulating strategic directions and monitoring the financial and management performance of the Company.

(V) Respective Duties of the Board and the Management

The powers and duties of the Board and the management have been clearly specified to ensure adequate check and balance for sound corporate governance and internal control. The Board is primarily responsible for the following duties: convening a General Meeting, and reporting work thereon; implementing the resolutions of the General Meeting; resolving on the Company's business plans and investment plans; formulating the Company's annual financial budget plan and final account plan; formulating the Company's profit distribution proposal and loss recovery proposal; formulating proposals for the increase or reduction of the Company's registered capital and for the issuance and listing of the debentures or other securities; drawing up plans for any substantial acquisition, re-purchasing the shares of the Company; developing plans for the merger, division, transformation and dissolution of the Company; deciding the Company's foreign investment, acquisition and sale of assets, pledge of assets, entrusted wealth management, related transactions and other matters within the scope of authorization of the General Meeting; deciding on the setup of Company's internal management bodies and branches; appointing or removing the Company's president, Secretary to the Board, chief compliance officer, the chief risk officer according to the nomination by the chairman; appointing or removing the Company's vice president, chief financial officer, chief information officer and personnel actually performing the above duties according to the nomination by the president and determining their remunerations, incentives and punishments; formulating the basic management system of the Company, etc.

The management is primarily responsible for organizing the implementation of the production, operation and management works of the Company, organizing the implementation of the resolutions of the Board and reporting work to the Board; organizing the implementation of the Company's annual business plans and investment plans; formulating the Company's specific rules; proposing wages, benefits, incentives and punishments for the Company's employees; and determining the appointment and dismissal of the Company's employees, etc.

(VI) Directors' Performance during the Reporting Period

1. Directors' attendance at the meetings

The attendance of Directors at the meetings during the year is set out below:

	Meetings attended/held during the term of office							
Name of Directors	Board	Board Attendance Rate	Audit Committee	Remuneration and Nomination Committee	Risk Control Committee	Strategy Committee	General Meetings	General Meetings Attendance Rate
Executive Director								
Ge Xiaobo	9/9	100%	N/A	N/A	N/A	2/2	6/6	100%
Non-executive Directors								
Yao Zhiyong	8/8	100%	N/A	N/A	4/4	2/2	6/6	100%
Hua Weirong	9/9	100%	N/A	3/3	4/4	2/2	5/6	83%
Zhou Weiping	9/9	100%	N/A	N/A	4/4	2/2	5/6	83%
Liu Hailin	9/9	100%	N/A	N/A	4/4	N/A	6/6	100%
Zhang Weigang	9/9	100%	N/A	N/A	N/A	N/A	5/6	83%
Independent Directors								
Lu Yuanzhu	9/9	100%	5/5	3/3	N/A	N/A	6/6	100%
Wu Xingyu	9/9	100%	5/5	3/3	4/4	N/A	6/6	100%
Chu, Howard Ho Hwa	9/9	100%	5/5	N/A	N/A	2/2	6/6	100%

Notes: 1. Mr. Yao Zhiyong resigned as the chairman of the Company, a Director, the chairman of the Strategy Committee and the chairman of the Risk Control Committee on 7 December 2021. Mr. Ge Xiaobo acted as the chairman of the Company since 7 December 2021 and served as the chairman of the Strategy Committee and the chairman of the Risk Control Committee accordingly.

2 Mr. Lu Yuanzhu is the chairman of the Remuneration and Nomination Committee.

3. Mr. Wu Xingyu is the chairman of the Audit Committee.

2. Directors' Voting

The Directors agreed that, during the Reporting Period, they had not voted against or abstained from voting on all the resolutions of the Board and resolutions of committees in which they cast their votes.

3. Performance of Independent Non-executive Directors

During the Reporting Period, the independent non-executive Directors of the Company complied with the relevant requirements under laws, regulations and the Articles of Association, and had adequate time and commitment to perform their duties. The independent non-executive Directors were not affected by the Substantial Shareholders of the Company and other interested units or individuals of the Company when making their independent judgements in the decision-making of the Company and did their best to protect the interest of the minority shareholders of the Company and exercised their duties and authorizations as independent non-executive Directors.

During the Reporting Period, the independent non-executive Directors did not object any relevant matters of the Company.

After reviewing (a) the annual confirmation of the time commitment contributed by each Director; (b) the directorships and major commitments of each Director; and (c) the attendance rate of each Director at the Board meetings and the respective Board committee meetings as well as General Meetings, the Board is satisfied that all Directors have contributed sufficient time in performing their responsibilities during the year.

(VII) Insurance Coverage of Directors

The Company had arranged appropriate insurance coverage in relation to any legal actions which may arise against the Directors.

(VIII) Training for Directors

The Directors confirmed that they had complied with Code Provision C.1.4 of the CG Code in relation to the training of Directors. During the Reporting Period, Mr. Ge Xiaobo, Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, Mr. Zhang Weigang, Mr. Lu Yuanzhu, Mr. Chu, Howard Ho Hwa and Mr. Wu Xingyu attended the guided training under the compliance operation of listed companies.

(IX) Board Meetings and Procedures

During the Reporting Period, the Board convened a total of 9 Board meetings. The chairman of the Board convenes regular Board meetings and the notices of Board meetings shall be sent to all Directors in writing 10 working days before the meetings. A regular Board meeting does not include the practice of obtaining consent from the Board through circulating written resolutions.

The Directors may, before the meeting, inquire about the information needed for decision making from relevant persons or institutions such as the office of the Board, the convener of the meeting, the president and other senior management members, committees, accounting firm and law firm, or may, while the meeting is underway, suggest to the chairman of the meeting that the aforesaid persons or representatives of institutions to attend at the meeting to make relevant explanations, at the expense of the Company.

For a regular Board meeting, the Secretary to the Board (or the competent office of the Board) is responsible for collecting draft proposals, which shall be submitted by proponents 14 days before the date of the meeting together with explanatory materials. After summarising relevant materials, the Secretary to the Board shall submit the time, place and agenda of the Board meeting to the Chairman. Before giving the notice on convening a regular Board meeting, the Board of Directors Office shall fully consult all Directors to form the initial proposal and then submit it to the Chairman for finalizing the proposal. The Chairman, if necessary, shall consult the president and other senior management personnel before finalizing the proposal.

For a special meeting of the Board, it shall give a meeting notice in writing to all Directors 5 days before the meeting. When a special meeting needs to be held as early as possible in case of emergency, the meeting notice is allowed to be given by telephone or otherwise verbally at any time provided that the convener makes necessary explanations at the meeting.

When a Director and the legal persons and natural persons involved in the resolutions of the Board meeting have certain interests or connection, such Director shall not exercise his/her voting rights on such resolutions nor can he/she exercise any voting rights on behalf of other Directors. Such Board meeting may be held if it is attended by more than one half of the unconnected and uninterested Directors, and the resolutions of the Board meeting shall be passed by more than one half of the unconnected and uninterested Directors.

The Secretary to the Board shall arrange the Board of Directors Office staff to keep the minutes of the Board meeting. A Director present at the meeting shall have the right to require an explanatory note to be made in the minutes in respect of his speech at the meeting. The minutes of Board meeting shall be kept by the secretary to the Board as files of the Company in accordance with laws. The Secretary to the Board shall make the minutes of meetings openly available for inspection in any reasonable period of time by any Director, who has made a reasonable notice in respect thereto.

IV. Supervisory Committee

(I) Supervisors' attendance at the meetings of the Supervisory Committee

Name of Supervisors	Number of meetings required to attend	Number of meetings attended
Xu Faliang	3	3
Jiang Zhiqiang	3	3
Ren Jun	6	6
Zhou Weixing	6	6
Shen Ying	6	6
Yu Lei	6	6

(II) During the Reporting Period, the Supervisory Committee of the Company had no objection to the matters supervised.

V. Board Committees

For the purpose of corporate governance, the corporate governance policies formulated by the Company shall state clearly that the Board is responsible for formulating and reviewing corporate governance policies and practices of the Company; reviewing and monitoring training and continuous professional development of the Directors and senior management of the Company; reviewing and monitoring policies and practices of the Company in compliance with laws and regulatory requirements; formulating, reviewing and monitoring the code of conduct and compliance manual for employees and the Directors of the Company; and reviewing the compliance by the Company with the CG Code as set out in Appendix 14 of the Listing Rules and the disclosures in the Corporate Governance Report.

To assist the Board in executing its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee, Remuneration and Nomination Committee, Strategy Committee and Risk Control Committee.

Clear written terms of reference of all the Board Committees are provided to respective members of these Committees. Details of the Board Committees are set out as follows:

Section 8 Corporate Governance Report

(I) Audit Committee

The Audit Committee comprises three non-executive Directors, namely Mr. Wu Xingyu (Chairman), Mr. Lu Yuanzhu and Mr. Chu, Howard Ho Hwa, being independent non-executive Directors.

The specific written terms of reference of the Audit Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Audit Committee are:

1. to assist the Board in fulfilling its responsibilities by supervising financial and other reporting, and providing an independent review as to the effectiveness of the risk management and internal controls of the Group, and as to the adequacy of the external and internal audits;

2. to be primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the authorized independent auditors ("External Auditors"), and to approve the remuneration and terms of engagement of External Auditors, and to deal with any questions of their resignation or dismissal;

3. to serve as a focal point for communication between other Directors, External Auditors and IA Staff as regards financial and other reporting, risk management, internal controls, duties of External Auditors and internal auditors or any person responsible for internal audit function ("IA Staff") and such other matters as the Board may determine from time to time;

4. to review and monitor External Auditors' independence and objectivity and the effectiveness of the audit procedures in accordance with applicable standards;

5. to review and monitor the effectiveness of the financial control, internal control and risk management systems; and

6. other responsibilities as required in the Terms of Reference of the Audit Committee.

During the Reporting Period, the Audit Committee convened a total of 5 meetings. The Audit Committee mainly discussed and made recommendations to the Board in relation to the Company's financial reports, the engagement of audit institution, approval of connected transactions, and monitoring of internal control. At the same time, the Audit Committee also performed its duty on reviewing the 2021 annual results and performed other responsibilities as set out in the CG Code.

(II) Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three members, namely Mr. Lu Yuanzhu (Chairman), Mr. Wu Xingyu, being independent non-executive Directors and Mr. Hua Weirong, being a non-executive Director.

The specific written terms of reference of the Remuneration and Nomination Committee are available on the websites of the Stock Exchange and the Company for reference. The main responsibilities of the Remuneration and Nomination Committee are:

1. to consult the chairman and/or chief executive officer about their remuneration proposals for other executive Directors;

2. to make recommendations to the Board regarding the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for formulating remuneration policy;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

5. to make recommendations to the Board on the remuneration of non-executive Directors;

6. to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

7. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection and of individuals nominated for directorships;

8. to assess the independence of independent non-executive Directors of the Company;

9. to make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, especially for chairman and chief executive officer; and

10. other responsibilities as required in the Terms of Reference and Procedures of the Remuneration and Nomination Committee.

During the Reporting Period, the Remuneration and Nomination Committee convened a total of 3 meetings. The Remuneration and Nomination Committee mainly discussed and made recommendations to the Board in relation to the performance appraisal plan and assessment report of Directors and senior management and appointment of senior management. For the Board diversity policy of the Company, please refer to the relevant contents in the 14th paragraph of this section.

(III) Strategy Committee

The Strategy Committee comprises four Directors, namely Mr. Ge Xiaobo, being an executive Director, Mr. Hua Weirong and Mr. Zhou Weiping, being non-executive Directors, and Mr. Chu, Howard Ho Hwa, being an independent non-executive Director.

The specific written terms of reference of the Strategy Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Strategy Committee are:

1. to study and review the strategic development plans of the Company and to make recommendations to the Board;

2. to implement information exchange and research within the industry, understand the development and trend of macro-economy and securities industry and prepare specific strategic reports;

3. to conduct preliminary review of the Company's annual operating plans and strategic capital allocation plans and make recommendations to the Board;

4. to study major investment financing programs which are required to be approved by the Board and the Risk Control Committee as stated in the Articles of Association or in the terms of reference and procedures of the Risk Control Committee and make recommendations to the Board;

5. to study major capital operation and assets management projects which are required to be approved by the Board as stated in the Articles of Association and make recommendations to the Board;

6. to evaluate the balanced development of various business segments and make recommendations to the Board;

7. to review the major constitutional restructuring and organizational structure plans and make recommendations to the Board;

8. to study other important matters affecting the Company's development and make recommendations to the Board; and

9. other responsibilities as required in the Terms of Reference and Procedures of the Strategy Committee.

During the Reporting Period, the Strategy Committee convened a total of 2 meetings. The Strategy Committee mainly discussed and made recommendations to the Board in relation to the strategic planning and layout of the Company.

(IV) Risk Control Committee

The Risk Control Committee comprises five Directors, namely Mr. Ge Xiaobo, being an executive Director, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin, being non-executive Directors, and Mr. Wu Xingyu, being an independent non-executive Director.

The specific written terms of reference of the Risk Control Committee are available on the websites of Stock Exchange and the Company for reference. The main responsibilities of the Risk Control Committee are:

1. to review and give opinion on the overall objectives and basic policies of compliance management and risk management;

2. to review and give opinion on the establishment of specific departments and their duties of compliance management and risk management;

3. to evaluate and give opinion on the risks of the major decisions required to be approved by the Board and solutions to solve such major risks;

4. to review and give opinion on regular compliance reports and risk evaluation reports required to be approved by the Board; and

5. other responsibilities as required in the Terms of Reference and Procedures of the Risk Control Committee.

During the Reporting Period, the Risk Control Committee convened a total of 4 meetings. The Risk Control Committee mainly discussed and made recommendations to the Board in relation to the review of policies and practices related to legal and regulatory requirements. At the same time, the Risk Control Committee also performed its duty on review of risk management, revision of the risk preference and improvement of the responsibilities of internal control system and internal audit function.

VI. Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors, Supervisors and relevant employees' securities transactions. Having made specific enquiries with all Directors, Supervisors and relevant employees, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code as of the end of the Reporting Period.

VII. Remuneration of Senior Management

For details of the emoluments of senior management as disclosed by the Company by remuneration range during the Reporting Period, please refer to section 7 "I. Changes in Shareholdings and Remuneration Information of Current and Resigned Directors, Supervisors and Senior Management during the Reporting Period" of this report.

VIII. Risk Management and Internal Control

The Board acknowledges its responsibility for maintaining and reviewing the effectiveness of the Company's risk management and internal control system. The risk management and internal control systems are implemented to minimize the risks to which the Company is exposed as much as possible and used as a management tool for the day-to-day operation of business. Those systems aim to manage rather than eliminate the risk of failing to achieve the business objectives and only provide reasonable but not absolute assurance of not having any material misrepresentation or losses. At the same time, the Audit Committee and the Risk Control Committee of the Company are responsible for its internal audit.

The management is primarily responsible for the design, implementation and maintenance of the risk management and internal control system to safeguard the shareholders' investment interests and assets of the Company. The management monitors the business activities closely and reviews the financial results of operations against budgets/forecast on a monthly basis. Proper controls are in place for the recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles, the Company's accounting policies and applicable laws and regulations.

During the Reporting Period, the management conducted reviews on the effectiveness of the Company's risk management and internal control system with a view to identify any areas that need improvement. The approach of the review included conducting interviews with relevant management and staff members, reviewing relevant documentation of the risk management and internal control system and evaluating findings on any deficiencies in the design of the risk management and internal controls. The reviews covered major operating aspects of the business of the Company, including brokerage and wealth management business, assets management business, credit trading business and proprietary trading business of the Company and other operating segments. Proper management of risks, including credit risk, market risk, liquidity risk, operational risk, reputation risk and compliance risk, is also important to the business of the Company. The Company has implemented policies and procedures on these segments and continuous revisions on the relevant policies and procedures will be made from time to time. Monitoring of the internal control system and risk management mainly rest on Compliance and Legal Department, Risk Management Department and Auditing Department.

The Company has established related anti-fraudulent management system, which clearly stated the concept and form of fraud, responsibility body and regular department, responsibility attribution, fraud prevention and control, and listed the critical information like whistleblowing hotline, whistleblowing mailbox, fraud whistleblowing, investigation, reporting process and remedial measures and punishment. The anti-fraudulent mainly rest on the Auditing Department, Compliance and Legal Department, the Party Committee office and other departments.

The Company has established related information disclosure management system, which clearly stated the basic principles of information disclosure, content, disclosure management procedures and confidentiality measures, etc. The system also explicitly defined the procedures of disclosing inside information and made the information that may need to be disclosed into written documents for relevant person in charge to review their truth, accuracy and completeness. Upon confirmation, the documents shall be submitted to the Secretary to the Board and the Company Secretary for further review as soon as possible. The information must be strictly confidential in the process. If the necessary confidentiality cannot be ensured, or the information has been leaked, public disclosure would be made in a timely manner. The Company appointed the Secretary to the Board and the Company Secretary to be responsible for the information disclosure of the Company, and the Board of Directors Office is the specific executive body responsible for the information disclosure of the Company.

The Company has established connected transaction management system, which clearly stated the definition of Connected Persons under the Listing Rules, as well as explained the definition and type of Connected Transactions under the Listing Rules. It standardized review and approval body for Connected Transactions, reporting process, auditing supervision, legal liability and punishment requirements. The Secretary to the Board of the Company shall be responsible for managing the files for Connected Persons and collection, disclosure, reporting of Connected Transactions and their submission for approval. The Company Secretary shall assist the Secretary to the Board or, under delegation of the Secretary to the Board, to conduct related matters. The Board of Directors Office is the specific executive body.

The Company has established the relevant system for external investment, which clearly specified the decision authority for external investment, daily management, transfer and recovery, major events reporting and information disclosure, etc. At the same time, the respective audit department of the Company will monitor and rectify investment projects according to their responsibilities and report the same to the project investment approval authority for discussion and handling.

The Company has established the relevant system for external guarantee, which clearly specified the review and approval procedures for external guarantee object, management, information disclosure and the responsibilities of the person-in-charge, etc. At the same time, any department and person-in-charge involved in the guarantee issues of the Company has the obligation to report the external guarantee to the Secretary to the Board in a timely manner, and provides the documents required for information disclosure.

The Board and the Audit Committee have conducted a review on the effectiveness of risk management and internal control system of the Company. The review covered all significant supervision and control, including financial, operational and compliance controls, risk management functions, resources of the Company's accounting and financial reporting function, staff qualifications and experience, staff training programs and the adequacy of relevant budget. The Board considered that the Company's risk management and internal control system are effective and adequate.

IX. Communication with Shareholders

The General Meetings shall be the highest authority of the Company. All shareholders exercise their power through the General Meetings. The Company formulates Rules of Procedure of General Meeting to ensure the compliance of the convening and holding of General Meetings. The Company explicitly specifies shareholders' rights in the Articles of Association to ensure the rights of shareholders, especially the right to be informed of the minority shareholders. The Company treats all shareholders impartially.

There are persons specially designated for contacting with Shareholders. The Company attaches great importance to their opinions and suggestions and tries to meet their reasonable requests in time. The Company sets up "Investor Relations" column on its website www.glsc.com.cn for publishing such information as announcements and financial data of the Company. Shareholders can also call the Company directly to inquire about relevant information, and the Company will deal with such inquiry in a timely and proper manner.

The Company welcomes all Shareholders to attend General Meetings and facilitates their attendance to the range permitted. The Company's Directors, Supervisors and senior management will attend General Meetings. According to Code Provision F.2.2 of CG Code, chairman and chairperson of the Audit Committee, Remuneration and Nomination Committee, and other committees of the Board shall attend annual General Meeting and answer questions at the meeting. The management of the Company shall ensure External Auditors to attend annual General Meeting and answer relevant questions put forward by Shareholders.

X. Shareholders' Rights

The Company convenes and holds General Meetings strictly according to the Articles of Association and Rules of Procedure for General Meetings to guarantee the equal status and full exercise of rights for all Shareholders, especially the minority Shareholders. All of the Company's Directors, Supervisors and senior management shall attend General Meetings in accordance with Articles of Association and answer questions from Shareholder.

Procedures of convening General Meetings and proposing resolutions at the General Meeting

Pursuant to the procedures set out in Article 9.08 of the Articles of Association which states that "Shareholder(s) severally or jointly holding more than 10% shares of the Company shall have the right to request the Board to convene an extraordinary General Meeting, and shall put forward such request to the Board in writing. The Board shall, pursuant to the relevant laws, administrative regulations and the Articles of Association, give a written reply stating its consent or reject for the convening of the extraordinary General Meeting within 10 days after receiving the proposal. If the Board agrees to convene the extraordinary General Meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. If the Board does not agree to hold the extraordinary General Meeting or fails to give any reply within 10 days after receiving the proposal, shareholder(s) severally or jointly holding more than 10% shares of the Company shall be entitled to propose to the Supervisory Committee to convene an extraordinary General Meeting, and shall put forward such request to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene the extraordinary General Meeting, it shall serve a notice of such meeting within 5 days after receiving the said request. In the event of any change to the original proposal set forth in the notice, the consent of relevant shareholder(s) shall be obtained. In the case of failure to issue the notice for the General Meeting within the stipulated term, the Supervisory Committee shall be deemed as failing to convene and preside over the General Meeting. As a result of its failure to do so, the shareholder(s) severally or jointly holding more than 10% shares of the Company for more than 90 consecutive days may convene and preside over such meeting by itself/themselves. All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors." and Article 9.22 "Shareholder(s) severally or jointly holding more than 3% shares of the Company may submit written provisional proposals to the convener 10 days before a General Meeting is convened. The convener shall issue a supplementary notice of the General Meeting to give details of the provisional proposals within 2 days after the receipt thereof, and publish the contents of provisional proposals. Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of the General Meeting or add any new proposal after the said notice is served", the shareholders may convene an extraordinary General Meeting or shareholders class meeting. The shareholders may attend General Meetings and exercise voting rights either in person or by proxy. The minutes together with the attendance record of shareholders and the powers of attorney of the proxies shall be kept at the Company's premises. Shareholders may have access to copies of the minutes free of charge during the office hours of the Company. The Articles of Association has been disclosed on the websites of the Company and the Stock Exchange. The Company encourages shareholders to attend the General Meeting, and make suggestions by the following ways: make direct questions with the Board and the Board committees on the matters in relation to operation and governance at the General Meetings, or submit the company secretary such suggestions by the following manners: (i) to deliver in writing with the address of office of the Company in the PRC: 12/F, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC; Postal Code: 214000, or (ii) Email: glsc-ir@glsc.com.cn.

XI. Amendments to the Articles of Association

During the Reporting Period, two rounds of amendments to the Articles of Association were made and were approved at the General Meeting held on 5 February 2021 and 1 December 2021. Details of the amendments to the Articles of Association are stated in the circular published on the websites of the Company and Stock Exchange on 22 December 2020 and 11 November 2021.

XII. Investor Relationship

Dedicated to becoming an elite listed company in A-share and H-share capital markets, the Company has always given priority to continuous enhancement of Shareholders' value, paid high attention to investor relationship management, gradually established smooth two-way communication channels with investors and kept on improving the corporate governance structure. During the Reporting Period, the Company communicated with investors by ways of telephone calls, emails, receiving visitors and online briefing on results, and treated all investors equally to ensure that all Shareholders can fully exercise their rights.

During the Reporting Period, the Company disclosed information in a truthful, accurate, complete and timely manner in strict accordance with laws, regulations and regulatory provisions, to ensure that investors are able to know about the Company's material matters in time and thereby protecting their interests to the greatest extent.

XIII. Company Secretary

Mr. Wang Jie, the Secretary to the Board of the Company, is responsible for making recommendations to the Board for the corporate governance and ensuring the policies and procedures of the Board, applicable laws, rules and regulations are observed. In order to maintain sound corporate governance and comply with the Listing Rules and applicable Hong Kong laws, Ms. Lin Fanyu, the Company Secretary of the Company, assists Mr. Wang Jie in fulfilling the duties as the Secretary to the Board. Ms. Lin Fanyu is an employee of the Company. The main contact person of the Company is Ms. Lin Fanyu, the Company Secretary of the Company. As at the end of the Reporting Period, Ms. Lin Fanyu received no less than 15 hours of professional trainings in accordance with Rule 3.29 of the Listing Rules.

XIV. Board Diversity Policy

The Company has adopted the Board diversity policy according to provisions of the CG Code. The Company's Board diversity policy can be summarized as follows: the Company recognizes the importance of Board diversity to corporate governance and the Board's effectiveness. The Board diversity policy established by the Company is to set out the basic principles to be followed to ensure that the members of the Board have the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effective operation of the Board and to maintain high standards of corporate governance. The nomination and appointments of members of the Board will continue to be made on a merit basis based on the Company's daily business needs from time to time while taking into account the benefits of Board diversity. Selection of the Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industrial experience and professional experience. The Company offers advices to the Board in respect of the appointment or reappointment of Directors and the Director succession plans through the Remuneration and Nomination Committee, and the advices will take effect after being reviewed and passed by the Board and the General Meeting successively.

As of the end of the Reporting Period, the composition of the Board of the Company was as follows:

Indicators	Unit	2021
By age group:		
50 or below	Employees	3
51-55	Employees	2
56-60	Employees	3
By types of directors:		
Executive Directors	Employees	1
Non-executive Directors	Employees	4
Independent Non-executive Directors	Employees	3

Professional background of directors covers finance, engineering, accounting, law, economics and other majors.

XV. Responsibilities of Directors Concerning Financial Statements

The declarations of the responsibilities of Directors concerning financial statements set out hereinafter and the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" in the Independent Auditor's Report of this report shall be read jointly. The declarations of the responsibilities of the same shall be understood severally.

All the Directors of the Company confirmed their responsibility of preparing the financial statements that can truly reflect the Company's operating results for each financial year. To the knowledge of the Directors, no event or circumstance that may cause material adverse impact on the Company's continuous operations needs to be reported.

XVI. Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Company and the Group for the year 2021, as well as the audited consolidated financial statements for 2021 prepared in accordance with IFRS.

XVII. Auditor's Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditors to ensure objectivity and effectiveness of the financial statements during the audit process in accordance with applicable standards. The Audit Committee was of the view that the Company's auditor, Deloitte Touche Tohmatsu is independent and made certain recommendations to the Board.

During the Reporting Period, Deloitte Touche Tohmatsu has rendered services to the Company and the remuneration paid/payable by the Company to Deloitte Touche Tohmatsu is set out as follows:

Service rendered	Fees paid/payable (in RMB ten thousand)
Audit services	35
Non-audit services	–
Review of the Interim Financial Report	20

XVIII. Other Matters

(I) Internal Control

1. Responsibility statement on internal control

It is the responsibility of the Board of the Company to establish a comprehensive and effectively implemented internal control, evaluate its effectiveness, and truthfully disclose the internal control evaluation reports in accordance with the requirements of the enterprise internal control regulated system. The Board, Supervisory Committee and Directors, Supervisors and senior management of the Company warrants that the contents of internal control report do not contain any false representation, misleading statement or material omission, and jointly and severally accept the legal responsibility regarding the truthfulness, accuracy and completeness of the content of the report.

2. Basis of establishment of internal control and development of internal control system

The Company emphasized the development of internal rules and regulations and management system. A comprehensive corporate internal control system has been established by the Company in accordance with the Company Law, Securities Law, Fundamental Norms on Enterprise Internal Control and its supporting guidance and the supervision requirements on internal control from CSRC, and the Company places the development of internal control throughout the operation and development of the Company, and adheres to the principles of giving priority to system procedures (制度流程先行) during the business operation, constantly perfect the internal control system, regulate system enforcement, enhance supervision and inspection and promote the continuous and sound development for the Company.

The Company has established an internal control system which covers environment control, business control, capital management and accounting control, information system control, human resources and remuneration management, compliance management and risk control. The internal control set up by the Company includes various mechanisms such as prior prevention, supervision when incident occurred and post examination, which formed a comprehensive and systematic internal control system with check and balance among different internal positions in a department and different departments, and have independent supervision by the Compliance and Legal Department, Risk Management Department, and Audit Department.

3. Internal control self-evaluation report

The evaluation work on internal control of the Company is carried out in accordance with the Fundamental Norms on Enterprise Internal Control, Supporting Guidelines for Enterprise Internal Control (《企業內部控制配套指引》), Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》) and other laws, regulations and regulatory provisions as well as other internal requirements. The process of internal control evaluation complies with the aforementioned requirements.

4. Related information on the internal control auditing report

Deloitte Touche Tohmatsu Certified Public Accountants LLP engaged by the Company has given an audit opinion on the effectiveness of the internal control over the financial reporting of the Company and issued the Internal Control Auditing Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司內部控制審計報告》), which is of the opinion that the Company has maintained effective internal control over financial reporting in all material aspects as of 31 December 2021 in accordance with the Fundamental Norms on Enterprise Internal Control and relevant regulations. The Company disclosed the Internal Control Evaluation Report for the Year 2021 of Guolian Securities Co., Ltd. (《國聯證券股份有限公司2021年度內部控制評價報告》) and the Internal Control Auditing Report of Guolian Securities Co., Ltd. (《國聯證券股份有限公司內部控制審計報告》) when disclosing this report, and there was no disagreement.

(II) Building of Compliance Management System and Compliance Inspection

1. Building of compliance management system

Under the leadership of the Board, the Company has established a compliance management framework system comprising four tiers, namely chief compliance officer, compliance management staff of the Compliance and Legal Department, as well as departments and branches.

The Board, Supervisory Committee and senior management of the Company attach importance to the compliance of the Company's operations, assume the responsibility of effectively managing corporate compliance risks, actively practice and promote a compliance culture, and promote the Company's compliance operations.

The compliance management system with the chief compliance officer as the core has an independent position in the corporate organizational system, and can independently perform compliance management functions without external interference from business departments and operating management.

The chief compliance officer, a compliance officer of the Company, is directly accountable to the Board, and is responsible for reviewing, supervising and examining the compliance of the operations, management and business activities carried out by the Company and its employees.

Under the leadership of the Board, the Company has established the Compliance and Legal Department, which is accountable to the chief compliance officer and assists in the specific work of the corporate compliance management. The main duties of the Compliance and Legal Department are to draft the basic system of compliance management and other compliance management system and compliance management policies of the Company, and urge and guide the implementation of such system by all subordinate entities. It provides compliance review opinions on internal regulations and systems, significant decisions, new products and new businesses programmes, and conduct compliance review on application documents or reports submitted to external parties as required. It carries out compliance inspections of various business operation and management departments, and monitor the practice conduct and securities investment activities of staff. It guides and supervises the relevant departments of the Company to deal with the complaints and reports on the conduct of the Company and the personnel of the Company violating the laws and regulations. It organizes and implements special compliance management working mechanisms such as information screening wall, connected transaction and conflict of interest management, anti-money laundering and abnormal transaction management, and monitor improper behaviors such as insider trading and market manipulation. It supervises the implementation of relevant measures such as protecting customers' rights, fair trading, maintaining market order, and preventing illegal securities activities. It assists the establishment of a compliance management organization system covering all subordinate entities of the Company, implements the compliance assessment of all subordinate entities and related personnel of the Company in accordance with regulations, and organizes the implementation of set-up, management and assessment of compliance management personnel. It provides compliance consulting for the senior management and all subordinate entities of the Company, and provides written responses to compliance consulting on important issues. It formulates the compliance management manual of the Company, organizes compliance training, urges and guides the implementation of the compliance promotion and training work of various departments, and facilitates the construction of the compliance culture of the Company.

The Company has appointed compliance management personnel in major business departments and in major branches. Under the guidance and supervision of the Compliance and Legal Department, the compliance management personnel of each department assist the heads of the departments to organize compliance management work such as compliance review, compliance inspection, compliance training, complaint handling and regulatory cooperation, and assume corresponding management responsibility. The number, proportion and qualifications of compliance management personnel were in compliance with the requirements of regulatory authorities.

The Company has integrated subsidiaries at all levels into a unified compliance management system, implemented unified compliance management standards, and ensured the consistency of compliance culture. According to the regulations of the CSRC and the SAC, the subsidiaries have established compliance management departments or assigned full-time compliance management personnel. The Compliance and Legal Department of the Company is responsible for providing guidance on the compliance management of subsidiaries, reviewing the basic system of compliance management and some major issues of the subsidiaries, identifying the compliance management matters reported by the subsidiaries to the Company, and forming an information communication mechanism based on the regular reports and major events reports of the compliance management personnel of the subsidiaries, so as to guarantee the timeliness and completeness of information transmission and ensure that the compliance management of subsidiaries was in compliance with the requirements.

Moreover, the Compliance and Legal Department, Risk Management Department, Audit Department and other functional management departments of the Company have established work coordination mechanisms, including laws and regulations tracking, reporting on changes in regulatory policies, sharing monitoring and early warning information, risk management coordination mechanisms, and joint inspection and evaluation mechanisms. Relevant departments cooperate with one another to perform their respective duties to prevent compliance risks.

2. Compliance inspection

The Compliance and Legal Department organized compliance inspection on business department, branches and subsidiaries in accordance with supervision requirements and inspection plans. In 2021, the Compliance and Legal Department conducted on-site compliance inspection on Asset Management Department, Securities Investment Department, Fixed Income Department, Capital Operation Department, Equity Derivatives Business Department, Guolian Capital, Guolian Chuangxin, Hua Ying Securities, Nanjing Tuanjie Road Branch (南京團結路營業部), Yixing Renmin South Road Branch (宜興人民南路營業部), Shenzhen Yitian Road Branch (深圳益田路營業部) and Wuxi Taihu New Town Ruijing Road Branch (無錫太湖新城瑞景道營業部). It implemented special inspection on the compliance management work of the suitability management of the Company, fund investment advisory business, margin financing and securities lending business and wealth management line investment advisory business. It also conducted a joint internal control inspection on the asset securitization business and Hua Ying Securities with the Risk Management Department and the Auditing Department. Comments or suggestions regarding the problems spotted during inspection were put forward by the Compliance and Legal Department, which required the inspected department to conduct proactive rectification and give feedback and implement subsequent follow up works.

As of the end of the Reporting Period, the Company's compliance management was operating effectively, and various businesses developed in a steady and order manner.

(III) Working Information of Auditing Department

The objective of the Auditing Department is to perfect corporate internal control, facilitate continuous regulated development of the business, ensure the legality and compliance of operation of the Company and to prevent risks. Through focusing on the business development of the Company, it actively organizes and conducts different auditing works according to annual audit work plan. During the Reporting Period, the Company completed 76 auditing reports under different aspects, of which, 50 were resignation audit reports, 15 were mandatory off-duty audit reports and 11 were special project inspection. The audit projects covered brokerage business, credit transaction business, agency sales of financial products, investment banking business, risk management, compliance management and internal control. The audit works were conducted through the combination approach of on-site audit and off-site audit, they can objectively reflect the conditions of implementing national laws and regulations, industry standards and corporate system of the auditee and also the operation management conditions. Regarding the problems and deficiencies discovered during audit, the department provides audit rectification measures and suggestions in time, and strives to urge the implementation of audit rectification issues, which thereby promotes and supports the regulated development of the different businesses of the Company.

Section 9 Environmental, Social and Governance Report

I. About the Report

Reporting Scope

The report contains details about the performance of the Company (including 4 subsidiaries) in respect of social responsibilities for the period from 1 January 2021 to 31 December 2021.

Basis of Preparation

The report is prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by HK Stock Exchange in December 2019 and the Guidelines No. 1 for the Self-regulation of Listed Companies on the Shanghai Stock Exchange - Standardized Operation (《上海證券交易所上市公司自律監管指引第1號－規範運作》) issued by Shanghai Stock Exchange in January 2022. The Company has complied with the provisions of "Comply or Explain" set out in the Environmental, Social and Governance Reporting Guide.

The report is prepared mainly based on the following basic principles:

Materiality principle: The report shall disclose matters related to environmental, social and governance (ESG) that the Board may determine in which they have significant impact on stakeholders;

Quantitative principle: Key performance indicators (KPIs) on historical data shall be measurable and directional targets shall be set so that the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative data shall be accompanied by a narrative explaining its purpose and impact with comparative data where applicable;

Balance principle: The ESG report shall be presented in an impartial manner, and shall avoid any selections, omissions, or presentation formats that may inappropriately influence the readers on their decision making and judgement;

Consistency principle: The Company shall use consistent methodologies to allow meaningful comparisons of ESG data over time.

ESG Governance

The Board of the Company is the highest ESG decision-making authority of the Company, and assumes the overall responsibility for the management and decision-making of the Company's ESG-related matters, including approving the Company's ESG reports, and supervising the establishment of appropriate and effective ESG risk management and internal control systems by the Company. The Company has appointed an executive segment of ESG-related matters in each department and branch to be responsible for the implementation of specific ESG issues of the Company; identification and management of ESG risks of the Company; conducting communication with stakeholders and collecting their demands; collecting ESG-related data of the Company and monitoring the performance of relevant data; preparation of annual ESG report of the Company and submission to the Board for consideration and other matters.

Stakeholder Engagement

The Company continues to improve the communication mechanism with every stakeholder, and fully consider the demands of each stakeholder, including investors, government/regulatory authorities, employees, customers, suppliers, and communities in order to jointly seek for sustainable development.

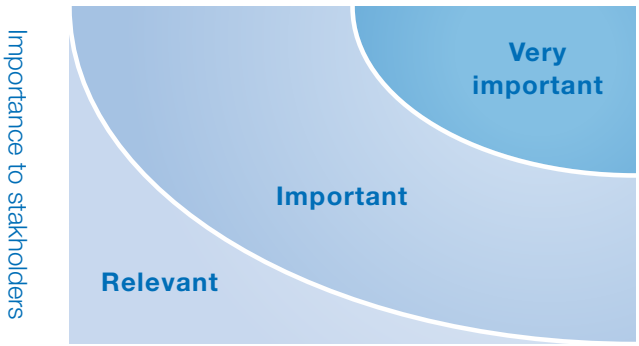
The report provides our stakeholders with the latest information about the Company's activities and performance in ESG aspects, conveying the Company's willingness to create the best value for its stakeholders.

Stakeholders	Concerns	Principal communication channels
Shareholders and investors	Corporate governance, compliance operation and risk management, sustainable investment and financing	General meetings, company announcement, regular reporting, research, consultation and feedback through telephone communication/email
Government/regulatory authorities	Compliance operation, sustainable investment and financing, serving the real economy, promotion of inclusive finance, poverty alleviation and public welfare	Major meeting, policy consultation, incident reporting, institutional visits, company announcement
Employees	Diversity and inclusion, staff development, protection of employees' rights	Recruitment activity, staff training, labor contract, staff remuneration and benefits
Customers	Serving the real economy, promotion of inclusive finance, advancement of FinTech, optimization of customer service	Customer visit, satisfaction survey, customer consulting hotline, investor education activities
Suppliers	Admittance management of suppliers, evaluation of suppliers, protection of suppliers' interests, cooperation with suppliers	Seminars, admittance and evaluation of suppliers, on-site inspections, public information search, tendering
Communities	Local development, facilitation of employment, dedication to public welfare	Convening meetings, recruitment notices, charitable activities

Materiality Principle

Having communicated and conducted survey with internal and external stakeholders, the Company collected many suggestions. From the dimensions of importance to the operation and importance to stakholders, the Company gave scores and ranked the social responsibility issues to reflect the Company's material impacts on the environment and society and better respond to the expectations and demands from stakeholders.

Set out below is a matrix of key issues:



Very important

Compliance operation
Financial performance
Anti-corruption
Customer privacy
Investor education
Service quality

Relevant

Low carbon operation
Emission management
Response to climate change
Supply chain management
Intellectual property management

Important

Labour standard
Diversity and inclusion
Employee health and development
Community investment

II. Environment

The Company is fully aware of its environmental responsibilities during the development process, abides by the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China, Solid Waste Pollution Prevention and Control Law of the People's Republic of China and other laws and regulations, and practices the concept of sustainable development in its day-to-day activities.

In 2021, in order to better manage and assess the environmental performance, the Company has formulated corresponding performance targets in four aspects including GHG emissions, waste, energy use and water use. Affected by the epidemic, the environmental performance indicator data in 2020 was unable to effectively reflect the data of the Company under normal business volume, as such, the setting of targets was based on the data in 2019.

GHG Emissions Target

The intensity of GHG emissions of the Company has reached a relatively low level and is decreasing year by year. The Company aims to maintain the same emission intensity level as 2019 in the future.

Waste Reduction Target

The Company is a financial enterprise focusing on business office affairs and with low energy consumption and light pollution. The non-hazardous wastes are mainly domestic wastes and construction wastes due to securities branches decoration. The hazardous wastes are mainly ordinary dry cells and UPS batteries, which are all wastes that will inevitably be produced in daily operations. In future, the Company will continue to reduce waste produced by business operations in a responsible manner.

Energy Efficiency Target

The intensity of energy used of the Company has reached a relatively low level and is decreasing year by year. The Company aims to maintain the same intensity of energy used level as 2019 in the future.

Water Efficiency Target

The intensity of water consumed of the Company has reached a very low level. The Company aims to maintain the same intensity of water consumed level as 2019 in the future.

Section 9 Environmental, Social and Governance Report

Low-carbon Operation

The Company mainly utilizes electricity, limited natural gas and paper in its day-to-day business operations. In this regard, the Company has formulated The Management Measures for Headquarters Office Area (《公司總部辦公區管理辦法》) and requires all departments and divisions to conform, so as to improve the utilization efficiency of energy and resources. Meanwhile, the Company, as always, promotes low-carbon office and injects low-carbon concept into the operation and management mechanism of the Company. During the Reporting Period, the Company further optimized various measures and implemented resource-saving actions in all aspects of operations.

Resources Recycling: The Company encourages the use of idle assets and equipment in the system to reduce new purchases and decrease resources consumption. The used printer cartridges are sent to supplier for adding toner/ink for recycling to reduce the generation of discarded cartridges. Employees are encouraged to recycle folders, envelopes and paper bags. It requires employees to print on both sides and reuse the single-side used paper. It also places waste paper recycling boxes in public areas of the premises to maximize waste paper recycling.

Paperless Office: The Company encourages employees to send internal documents by email and Office Automation System, not only will this improve work efficiency, but also reduce paper consumption as well as other energy consumption. It promotes paperless office through the construction of a multi-channel electronic trading platform including mobile phones and tablets. It also sets up a paperless office environment except for necessary printed agreements.

Energy Conservation and Consumption Reduction: The Company requires employees to turn off lights and computers in time during non-working hours. The printers, projectors and other equipment shall be set to automatic power-off mode when not in use. The Company also arranges security guard patrolling to ensure all idle electric appliances are turned off, and make sure that the energy consumption remains the lowest when people are off work. It issues regular notices on conserving electricity to employees stating not to use high-power electrical appliances. It also encourages employees on lower floors not to use elevators, and use water-saving taps and toilets in the washrooms to effectively save water and electricity.

Green Procurement: The Company adopts an environmental-friendly perspective for office renovation and daily supplies and advocates the use of FSC-certified papers.

Low-carbon Travel: The Company encourages employees to commute by public transport, bicycle or on foot, so as to reduce the use of private cars. The Company encourages employees to give priority to the purchase of new energy vehicles, has installed charging poles in the premises to meet employees' charging needs. The Company also installs video and telephone conferencing systems, and encourages employees to learn and train using the E-learning system to reduce business travel.

Promotion for Environmental Protection: The Company posts related promotional slogans at the taps and water dispensers to raise the awareness of water conservation. At the same time, a specific column is set up to report the practical activities of the Company and its employees in low-carbon environmental protection, and conduct environmental protection education and publicity.

In 2021, the Company consumed 6,291.97 MWh of energy, of which electricity consumption accounted for 95% of total consumption, representing an increase of 14% in energy consumption as compared with 2020. This was mainly due to the progressive control of COVID-19, the gradual recovery of the frequency of on-site transactions, and the operating time of the heating system resumed to pre-epidemic level in 2021.

The Company introduced an electronic signatory system in 2021, which has effectively reduced the use of office papers, with a total of 9.62 tonnes of office paper consumed, representing a decrease of 7% as compared with 2020.

	2018	2019	2020	2021
Total GHG emissions equivalents (tonnes)	4,837.59	4,529.06	3,825.02	4,258.82
Intensity of GHG emissions (tonnes/hm^2)	602.33	523.54	450.29	513.64
Total energy used (MWh)	7,105.41	6,646.36	5,512.86	6,291.97
Intensity of energy used (MWh/hm^2)	884.70	768.29	648.98	758.84
Paper usage volume (tonnes)	13.24	9.94	10.31	9.62

Emission Management

As a financial institution, the Company's main workplaces are securities branches and offices. No industrial waste water and waste gas are produced during our operations. The sanitary sewage produced by the Company is discharged through the municipal sewage system.

The Company pays attention to raising employees' awareness of water conservation, posting water conservation slogans, choosing water-saving taps, as well as conducting pressure testing for 24 hours after pipe laying to avoid wasting water caused by running, overflowing, dripping and leaking. In 2021, the Company consumed 17,801.06 tonnes of municipal water.

The non-hazardous wastes generated by the Company are mainly domestic wastes and construction wastes due to securities branches decoration. The domestic wastes are sorted by the property management company while the construction wastes are properly disposed of by the constructors to ensure no dump of garbage and reduce the impact on neighbouring areas. The Company actively promoted the use of online transaction system in 2021, encouraged employees to reduce the use of disposable items and bring their own lunch, and had effectively reduced the production of domestic wastes. As for construction wastes, during the Reporting Period, the Company carried out more decoration projects of securities branches for business needs as compared with 2020, generating a total of 131.72 tonnes of construction wastes.

The only hazardous wastes that the Company produced are batteries, which are mainly ordinary dry cells and UPS batteries. The ordinary dry cells are recycled by the property management company while the expired UPS batteries which need to be replaced are specifically recycled by the vendors. In 2021, the Company produced 0.01 tonne of hazardous wastes, all of which were discarded ordinary dry cells. It decreased significantly as compared with 2020 as the Company did not replace any UPS batteries in 2021.

	2018	2019	2020	2021
Total water resource consumed (municipal water) (tonnes)	27,894.69	28,982.07	21,913.41	17,801.06
Intensity of water consumed (tonnes/hm^2)	3,473.20	3,350.18	2,579.68	2,146.90
Total hazardous wastes produced (tonnes)	0.61	17.25	9.52	0.01
Intensity of hazardous wastes produced (tonnes/hm^2)	0.08	1.99	1.12	0.0014
Total non-hazardous wastes produced (tonnes)	480.94	303.15	253.22	243.93
Intensity of non-hazardous wastes produced (tonnes/hm^2)	59.88	35.04	29.81	29.42

Response to Climate Change

The Company attaches great importance to taking effective action to climate change throughout the operation process, and formulates the Overall Emergency Response Plan for Contingencies (《突發事故應急處置總體預案》), Emergency Response Plan for Earthquake (《防震應急預案》) and other systems to reduce the impact of climate change on business operations and personal safety.

In order to take action on extreme weather such as heavy rainfall, the Company issued the Notice on Strengthening Production Safety in Flood Seasons (《加強汛期安全生產工作的通知》) during the flood season each year, requiring branch offices and securities branches to implement a thorough production safety inspection, and strengthen the inspection of electrical circuit safety, special equipment, and potential dangers of water accumulation at entrances and exits.

In order to take action on climate change in a timely manner, the Company has also established an efficient emergency information reporting process to implement relevant responsibilities, and ensure that accident response measures can be implemented in a timely manner.

The environmental relevant statistics during the Reporting Period are summarized as follows:

Name of Indicator	Indicator unit	2018	2019	2020	2021
Total GHG emissions equivalents[1]	Tonnes	4,837.59	4,529.06	3,825.02	4,258.82
GHG (Scope 1) emissions equivalents	Tonnes	36.39	45.18	20.15	59.97
GHG (Scope 2) emissions equivalents	Tonnes	4,801.20	4,483.88	3,804.87	4198.85
Intensity of GHG emissions	Tonnes/hm^2	602.33	523.54	450.29	513.64
Total waste air emissions	Tonnes	N/A	N/A	N/A	N/A
Total hazardous wastes produced	Tonnes	0.61	17.25	9.52	0.01
Intensity of hazardous wastes produced	Tonnes/hm^2	0.08	1.99	1.12	0.0014
Total non-hazardous wastes produced	Tonnes	480.94	303.15	253.22	243.93
Domestic wastes	Tonnes	330.26	281.65	243.22	112.20
Construction wastes	Tonnes	150.68	21.50	10.00	131.72
Intensity of non-hazardous wastes produced	Tonnes/hm^2	59.88	35.04	29.81	29.42
Total water consumed (municipal water)	Tonnes	27,894.69	28,982.07	21,913.41	17,801.06
Intensity of water consumed	Tonnes/hm^2	3,473.20	3,350.18	2,579.68	2,146.90
Total energy used[2]	MWh	7,105.41	6,646.36	5,512.86	6,291.97
Electricity	MWh	6,927.39	6,425.34	5,414.31	5,998.59
Natural gas	MWh	178.02	221.02	98.55	293.38
Intensity of energy used	MWh/hm^2	884.70	768.29	648.98	758.84
Paper consumed	Tonnes	13.24	9.94	10.31	9.62

Note: The denominator used to calculate the intensity herein is the floor area (hm^2) used by the Company.

1 GHG emissions data is presented in carbon dioxide equivalent, and the emission factor is mainly based on the 2012 data in the 2011 and 2012 China's Regional Grid Average Carbon Dioxide Emission Factor (《2011年和2012年中國區域電網平均二氧化碳排放因子》) published by National Development and Reform Commission.

2 Energy consumption coefficient refers to the national GB/T2589-2008 General Principle of Comprehensive Energy Consumption Calculation (《GB/T2589-2008綜合能耗計算通則》).

III. Society and Governance Report

During the process of achieving high quality self-development, the Company pays attention to the needs of all stakeholders, including employees, customers, suppliers and communities, and conducts the operation in accordance with the laws and regulations, with an effort to achieve staff happiness, customer satisfaction and social recognition as well as seeking for a harmonious development to maximize the interests of all stakeholders.

(I) Employment

The Company always adheres to its human-oriented philosophy, strictly implements laws and regulations, which include the Labour Law of the PRC and Labour Contract Law of the PRC and observes compliance employment according to laws. The Company continues to promote the construction of market-oriented mechanism and system, and constantly improves the human resources management system with its own characteristics. It also formulates and revises various rules and regulations in relation to position and grade, remuneration incentives, benefits and holidays and strictly implements such rules and regulations to effectively protect the rights and interests of employees in various aspects such as payment of wages, social insurance, healthcare and vacation, labour protection and working environments. The Company executes labour contracts with each employee and is in line with the principle of lawfulness, compliance, equality, voluntariness, unanimity, integrity and trustworthiness. The Company is in strict compliance with the state and local laws and regulations as well as the rules and regulations of the Company to handle the procedures regarding staff introduction and resignation and strives to build a harmonious labour relationship.

Remuneration and Welfare Policy

Focusing on the management of the MD rank system, the Company continues to optimize and improve the market-oriented promotion and remuneration management mechanism for employees. Under the MD system, the appointment and promotion, performance management, remuneration and benefits, and career development of the Company's employees are determined by their ranks, encouraging employees to continuously improve their core competencies. Staff remuneration comprises fixed salary, performance-based incentives as well as social security and welfare. The Company established a position-based wage system based on ranks. In combination with the market level, the salary standard is determined strictly according to the fixed salary range corresponding to the employee's rank. The principle of "position-based salary, salary changes for position changes" is strictly followed when making adjustment to staff's fixed salary. The performance-based award is set up to motivate staff to devote efforts and work results for the continuous improvement of the economic benefits of the Company. It is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made. The total annual bonus is drawn from the total profit at the ratio determined by the Board, and its distribution is based on performance and contribution. The Company established a comprehensive welfare protection system, provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee. The welfares of the Company also include paid holidays and regular physical examination.

Dismissal, Recruitment and Promotion Policy

Focusing on the needs of strategic development, the Company continued to introduce outstanding talents in the industry, which provided support for the rapid development of various businesses. Each main business line has basically formed a talent echelon with clear and sound levels of leading talents, backbones and recruits with potentials. Through various measures such as external introduction of key talents, internal assessment and elimination, and cross-departmental horizontal assignment, the Company continues to optimize the overall personnel structure to make the front-back end personnel deployment more reasonable.

The Company strictly implements performance orientation and increases efforts in assessment to improve the process management. For staffs who do not meet the performance assessment standards, the Company will demote, transfer or eliminate them in a courageous and serious manner. It clearly conveys the management requirements focusing on pursuit of high performance, allowing staffs to get promotion or face demotion, be employed or dismissed, and get fair reward and punishment.

The Company has set up a new training center and established an in-house lecturer team to continuously summarize and improve the existing training system, improves the pertinence and effectiveness of training, with a view to build a learning organization.

Through stringent execution of rank and remuneration management measures, and implementation of the operating rules for staff rank adjustment, the Company will closely connect the rank, remuneration adjustment and performance management, and continues to promote a more reasonable and market-oriented staff rank and remuneration management mechanism.

Working Hours and Holiday Policy

The Company sets up a standard working hour system in conformity with the relevant state provisions. The Company revises the attendance and leave management measures, overtime management measures and staff manual respectively, and calculates attendance and distributes wage on a monthly basis. The Company makes reasonable arrangement for overtime works according to work needs, pay wages and fix time-off-in-lieu for workers in line with the laws. All employees are entitled to statutory holidays and weekends. Paid-annual leave system is also put into practice to ensure staff has the legal right to rest.

Equality and Anti-discrimination Policy

The Company has revised the staff manual to add and optimize the management requirements for staffs' practices, prohibited behaviors, confidentiality and competition restrictions, violation penalties and accountability, further clarify the rights and obligations of the Company and staffs, and protect the legitimate rights and interests of both the Company and staffs, so as to establish and improve equal and fair labour relations. In accordance with national and local policies, the Company has revised the attendance and leave management measures, and revised the relevant content of marriage leave and maternity leave. It has also organized physical examinations for female staff and all kinds of amateur cultural activities regularly to ensure female staffs are treated equally and their interests are protected. The Company enters into labour contracts with all employees in strict accordance with national laws and regulations, and contracts signing and renewal are subject to the examination and approval procedures of the Company.

Diversified Policy

The Company insists on implementing the strategy of invigorating the enterprise through human resources development, continuously improves the environment for talent development and strives to push forward the co-development between staff and the Company. According to the requirements of national laws and regulations and internal management, the Company formulated and revised the relevant human resource management systems and procedures in a timely manner, and constantly improves the human resource management system to be in line with the Company's development.

In 2021, the Company revised and improved more than ten systems and measures, including the Management Measures on Recruitment of Guolian Securities Co., Ltd.(《國聯證券股份有限公司招聘管理辦法》), Management Measures on the Performance Evaluation of Guolian Securities Co., Ltd.(《國聯證券股份有限公司績效考核管理辦法》), Management Measures on the Training of Guolian Securities Co., Ltd.(《國聯證券股份有限公司培訓管理辦法》), Management Measures on the Attendance and Leave of Guolian Securities Co., Ltd.(《國聯證券股份有限公司考勤與休假管理辦法》), Management Measures on Overtime of Guolian Securities Co., Ltd.(《國聯證券股份有限公司加班管理辦法》), Management Measures on the Deferred Payment of Employee Income of Guolian Securities Co., Ltd.(《國聯證券股份有限公司員工收入遞延支付管理辦法》) and Measures on Rewards and Punishments for Employees of Guolian Securities Co., Ltd.(《國聯證券股份有限公司員工獎懲辦法》), to ensure the suitability and effectiveness of the system and measures by optimizing and improving the business module system, rules and procedures related to recruitment, assessment, rank remuneration, training and staff daily management. The Company further strengthened the construction of talent echelon through organizing annual talent review, and determined the potential talents of key business lines of the Company based on the results of staffs' performance evaluation in recent years. It also actively prepared for management and core key talent training projects through the inspection of training institutions and the investigation of employees' abilities and needs, determined the training subject and main courses, and formulated training plans based on business development priorities of the Company. It upheld the decent guidance on personnel placement to select a number of talents with high comprehensive quality into the management back-up of the Company through open recommendation, organize excursion and open job competition, and completed the pre-employment inspection, information review, interview and investigation of cadre promotion/recommendation and other works, involving the proposed person-in-charge of branches, the person-in-charge of departments of the headquarter, the recommendation of temporary cadres, and the recommendation of the provincial financial youth committee. The Company vigourously introduced high-end and core talents through internal referrals so as to bolster the diversity of staff structures and provide intellectual support for corporate development.

During the Reporting Period, the statistics relating to employment were summarised as follows:

Indicators	Unit	2021
Total staff	Employees	1,819
Among which: (by work location)		
Within Jiangsu Province	Employees	1,139
Outside of Jiangsu Province	Employees	680
Among which: (by labour contract type)		
Indefinite term	Employees	608
Fixed term	Employees	1,211
A term until completion of certain work	Employees	0
Among which: (by age group)		
29 or below	Employees	474
30-39	Employees	948
40-49	Employees	304
50-54	Employees	63
55 or above	Employees	30
Among which: (by gender)		
Male	Employees	967
Female	Employees	852
New employees during the Reporting Period	Employees	622
Staff loss ratio during the year	%	19.8%
Among which: (by gender)		
Male	%	11.6%
Female	%	8.2%
Among which: (by age group)		
29 or below	%	6.9%
30-39	%	10.2%
40-49	%	2.4%
50-54	%	0.2%
55 or above	%	0.0%
Among which: (by work location)		
Within Jiangsu Province	%	10.1%
Outside of Jiangsu Province	%	9.7%

(II) Health and Safety

The Company strictly implements its safety production management system and fire safety management system in taking special actions to identify and rectify potential safety hazards. According to the characteristics of the securities industry, and with customer safety and information security as the main focus, the Company stresses on strengthening the identification of hidden dangers in the aspects of basic safety production, information system security operation, electrical lines and equipment, fire control facilities and equipment, safe evacuation passageway, door head advertising, project safety, etc. to effectively prevent and control safety accidents. The Company carries out traffic safety education activities to guide employees to raise traffic safety awareness, strictly abides by traffic safety rules, and prohibits all kinds of traffic violations. The Company firmly adheres to working on shifts during holidays and strengthens safety patrol inspection. During the past three years including the Reporting Period, the Company operated safely without any safety accidents.

The Company cares for the health of its staff and provides a healthy and safe working environment. The Company attaches great importance in strengthening health protection, organizes regular physical health examination for staff and specialized physical examination for female staff. The Company offers dormitories for eligible staff. The headquarters of the Company have canteens for staff dinning convenience.

The Company assures the legitimate vacation rights and benefits of its female staff during pregnancy, birth-giving and lactation period. The Company strictly complies with the relevant occupational health and safety regulations including "Measures on Identification of Work-related Injuries"(《工傷認定辦法》) and "Regulations of Insurance for Work-related Injuries"(《工傷保險條例》).

(III) Development and Training

To facilitate the constant improvement of the comprehensive qualities of the Company's staff and adapt to the needs of innovative development of the industry and personnel training and development, the Company attaches great importance to staff trainings and keeps on improving and optimizing its staff training system. Based on the business development requirements every year, the Company accurately explores the training problems at the front and back ends and gathers departments training needs to develop and carry out annual training programme in an orderly manner, improve the effectiveness of training, and achieve mutual growth of staff and the Company.

In 2021, against the resurgence of the epidemic, the Company used the E-learning platform as an online learning carrier in the form of live video conferences and face-to-face trainings by region/small-scale, and through multi-channel and multi-form training organization methods, its continuously innovated training works to expand the dimensions of training. The Company organized online learning for new staffs, new staff training camps, and morning star (啟明星) training. For business backbones and managers, the Company organized navigation star (領航星) training and empowerment training for person in charge of branches. For each business line, the Company organized and carried out training on risk management, python, touring promotion training and other projects. For all staffs, the Company held 24 business lecture hall seminars to continuously connect with business promotion and staff learning needs, support its business, and empower staffs to grow.

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, with a total of 53,698 employee-headcount who have participated in such trainings. During the Reporting Period, the training details of the Company was as follows:

Summary of statistics of training performance

Indicators	Unit	2021
Total training hours	Hours	142,336
Training hours of employees participating in trainings by training content		
Online study	Hours	105,388
External trainings	Hours	2,917
Face-to-face trainings	Hours	34,031
Average training hours per employee-headcount participating in training	Hours	78

Training status of employees participating in trainings by gender

Gender	Average training hours per employee (Hours)	Percentage
Male	79	100%
Female	77	100%

Training status of employees participating in trainings by training participants

Training participants	Average training hours (Hours)	Number of trainees	Percentage
Senior management	69	8	100%
Middle management	84	131	100%
Grass-roots staff	78	1,680	100%

(IV) Labour Standard

The Company strictly complies with the management policies set out in the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation with respect to the prevention of child labor or forced labor. The Company prohibits any employment of child labor and forced labor and adheres to normative employment under the laws. During the Reporting Period, the Company did not have any non-compliance with the relevant standards, rules and regulations prevailing across the world as well as of the country and locations of operation in connection with child labor and forced labor.

(1) Number and ratio of work-related fatalities in each of the past three years

Type	2019	2020	2021
Work-related fatalities (number of individuals)	0	0	0
Ratio of work-related fatalities (%)	0	0	0

(2) Lost days due to work injury in each of the past three years

Item	2019	2020	2021
Lost days due to work injury (days)	68	84	40.5

(V) Product Liability[1]

Service Quality

The Company strictly complies with Contract Law, Securities Law and other relevant management measures, temporary provisions and implementing regulations. During the Reporting Period, there was no violation of relevant laws and regulations of the Company.

The Company adheres to the service philosophy of "Guolian Securities, All for You". By keeping customer-prioritized and regarding customers as the most valuable treasures of an enterprise, we always regard protecting investors' interests as our responsibility and strive to provide quality service for customers and minority shareholders continuously.

The Company stringently implemented the moderate management requirements of investors and established smooth customer communication and coordination mechanism and sound complaint system arrangement. During 2021, the Company received a total of 43 customer complaints, 13 of which were withdrawn voluntarily by customers, and the remaining 30 customer complaints were duly accepted. Conflicts and disputes were actively resolved through timely coordination by wealth management headquarters and tracking service of branches. Customer satisfaction was continuously improving and interests of investors were sufficiently safeguarded.

Customer Privacy

The Company strictly complies with the requirements of laws in the location where it operates to protect customer privacy. During the Reporting Period, there was no complaint of verified customer privacy leakage by the Company. The Company has a sound confidentiality management system in place, and has established the customer management system with operation mechanism at different levels and with different authorities. At the same time, in order to protect customer information security, the Company has established a customer information database. The Company regards customer information security as the guarantee for an enterprise to maintain the healthy development of customer relationship.

[1] As the Group is mainly engaged in the brokerage and wealth management, investment banking, asset management and investment, proprietary trading and credit transactions and other businesses, during the Reporting Period, no disclosure was made regarding the indicators relating to product quality, packaging materials, advertisement, labels which were not of significant environmental related issues to the Company and hence not applicable to us.

Investor Education

The investor education services of the Company abide the principles of long-term, suitability, effectiveness and standardization. "Taking the national investment education base as a base, promoting development with investor protection and facilitating services with science and technology" have always been the guiding principles, innovative thinking, project facilitation, pragmatic implementation and consolidation and improvement that regulatory authorities and self-disciplinary organizations are adhering to. Ensuring investors to understand capital market business and various financial products knowledge, establish decent investment philosophy and enhance investment and wealth management ability; to familiar with the laws and regulations of capital market to strength risk prevention consciousness. We will effectively protect the legitimate rights and interests of investors and constantly improve their service quality and standards. At the same time, we will help the social public to understand the securities industry, consciously maintain financial order of the market, and promote the standardized development of capital market.

In its business course of agency sales businesses of financial products that include brokerage and wealth management business, asset management business and securities investment fund, provision of intermediary introduction business for futures companies, margin financing and securities lending business, stock options derivatives business and securities investment advisory business, the Company strengthened various investor education services in strict compliance with the regulatory requirements of CSRC and the self-discipline rules of SAC. The investor education services of the Company have been integrated into all aspects such as opening (canceling) accounts, securities transactions, depositing and withdrawal of funds, securities marketing, information disclosure and eligibility management, and complete and detailed investor services rules and standards are in place.

(VI) Supply Chain Management

The Company actively identifies potential suppliers and their related information through multiple channels, investigates and verifies the basic information of suppliers such as business licences, legal person qualifications certificates, qualifications certificates, basic deposit accounts, quality, environment, safety, occupational health management system certification documents, performance and social reputation. It also makes recommendations to the procurement platform for aggregation and classification, so as to establish a "qualified supplier library".

In order to regulate the Company's procurement conduct, reduce procurement costs, ensure procurement quality and efficiency, effective corruption prevention, and adapt modern procurement needs, the Company has formulated the Rules and Procedures of Procurement Management Committee of Guolian Securities Co., Ltd. (Trial) (《國聯證券股份有限公司採購管理委員會議事規則(試行)》) and Procurement Management System of Guolian Securities Co., Ltd. (《國聯證券股份有限公司採購管理制度》) in strict compliance with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), Government Procurement Law of the People's Republic of China (《中華人民共和國政府採購法》), Procurement Operating Standards for State-owned Enterprises (《國有企業採購操作規範》) and other laws and regulations and related rules and regulations.

The Company conducts regular conformity assessment on suppliers through the Quotation Supplier Dynamic Assessment Opinion Form (《詢價供應商動態考核意見表》) on an annual basis, and establishes a dynamic management mechanism for qualified suppliers. It also blacklists suppliers who have committed various violations of laws and regulations, such as bid rigging, offering bribes, bidding in the name of others, deliberately providing fake and shoddy products and winning tenders by fraudulent means, and disqualifies them from participating in bidding.

(VII) Intellectual Property Management

In accordance with the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), Patent Law of the People's Republic of China (《中華人民共和國專利法》) and other laws and regulations, the Company manages intellectual property in accordance with laws and regulations. The management of intellectual property of the Company includes legal protection of intellectual property rights and infringement prevention of trademark rights, patent rights, copyrights and trade secrets. The daily management of intellectual property rights is carried out by relevant business departments, and the legal department shall provide legal support. The Company internally conducts compliance promotion and training on intellectual property matters to enhance the awareness of intellectual property protection of all employees.

In order to regulate the use of pictures, fonts and other materials on the publicity materials of the Company and avoid infringement incidents, the Company has established a font whitelist library and publicity materials review process to conduct legal compliance review of publicity materials. In order to regulate the installation and use of office software of the Company and avoid infringement incidents, the Company has established a software whitelist library and software installation review process to conduct legal compliance review of software installations, so as to ensure comprehensive management and control over intellectual property risk.

(VIII) Anti-corruption

In strict compliance with relevant laws and regulations,such as the Criminal Law of the PRC, the Company promotes compliance management and operation and strengthens the construction of long-term integrity system while absolutely resisting commercial bribery.

The Company has formulated management systems in respect of honest employment management, accountability system for honest administration construction and assessment management, violation penalties and measures for compliance accountability management and so on. In light of the characteristics and requirements of the securities industry, the Company has actively carried out honest employment training and education, opened various reporting channels such as hotlines and emails to form an effective monitoring network and system, and has "zero tolerance" for commercial bribery and commercial corruption.

During the Reporting Period, the Company organized anti-corruption training for Directors and employees in order to further enhance the awareness of anti-corruption.

The Company earnestly organizes and implements the requirements of anti-money laundering, clarifies the focus of anti-money laundering, improves relevant internal control system, specifies and implements supervision requirements, improves the anti-money laundering monitoring system, further strengthens the anti-money laundering management and inspection, and continues to improve staff's awareness of anti-money laundering. Meanwhile, the Company improves the anti-money laundering working quality and carries out anti-money laundering training and publicity proactively.

During the Reporting Period, the management of anti-corruption and anti-money laundering was summarized as follows:

Indicators	Unit	2021
Number of corruption and bribery cases	Cases	0
Number of employees punished for corruption and bribery	Employees	0
Times of anti-corruption and anti-money laundering education publicity	Times	2
Number of employees participating in anti-corruption and anti-money laundering education	Employees	207,684
Times of disciplinary inspection and supervision business training	Times	2
Number of employees participating in disciplinary inspection and supervision business training	Employees	297
Total hours of disciplinary inspection and supervision business training	Hours	259.5

(IX) Community Investment

During the Reporting Period, the Company actively fulfilled its social responsibilities together with employees. In particular, the Company donated RMB8.5 million in public welfare in 2021.

In 2021, the Company actively fulfilled its social responsibilities as a listed company together with its wholly-owned subsidiary, Hua Ying Securities. It took assisting the consolidation of the achievements of poverty alleviation as the starting point and foothold, and promoted the orderly connection between targeted poverty alleviation and rural revitalization. During the Year, the Company gave full play to the advantages of financial expertise and deepened the financial service function. By virtue of "hematopoiesis" and "wisdom support" as its focus, the Company took more practical measures to promote the implementation of various tasks.

In January, the Company actively participated in the "One Day Donation" charity activity of "Building a Comprehensively Well-off Society with the Help of Charity" which was jointly initiated by nine departments including the Propaganda Department of Wuxi Municipal Party Committee (無錫市委宣傳部). A total of RMB101,300 was donated to help and support the people in need, with the traditional virtues of the Chinese nation of being charitable and helping the needy being vigorously promoted.

In April, the Company used the RMB100,000 charitable donations raised through the second phase of the "Public Welfare Calendar" project to carry out the public welfare activities of "helping special children's education and lighting their future with love". On April 2 (the 14th World Autism Day), the Company donated 3 intelligent robots to the children of the special education school in Liangxi District, Wuxi City, to care for the growth of special children and help the development of special education.

In April and December, Hua Ying Securities led the underwriting of the issuance of two tranches of corporate bonds of Chongqing Puri Development Investment Group Co., Ltd. (重慶浦里開發投資集團有限公司), with a total underwriting size of RMB700 million, which provided financial support for local economic development.

In May, the Company actively participated in the special action of the Shanghai Stock Exchange's investor education to help the "rural revitalization" project of Susong county, which included opening financial interest classes, organizing special teacher training, carrying out financial themed activities, and co-constructing financial book corners. The Company actively participated in organizing courses for financial interest classes and the co-constructing financial book corners. This special action aims to help local children in establishing correct values, rational consumption concept, and cultivate children's ability to solve problems around them with economic thinking.

In June, the Company actively participated in the "Red Cross Humane Ten Thousand People Donation" activity organized by Municipal Red Cross Society, with a total donation of RMB214,100, vigorously promoted the Red Cross spirit of "humanity, fraternity and dedication".

From August to October, Hua Ying Securities acted as the lead underwriter of Chongqing Kaiqian Investment Group Co., Ltd. (重慶開乾投資集團有限公司) in its completion of the three tranches of non-public issuance of corporate bonds project, with the total underwriting amount of RMB1 billion, whose purpose was to introduce financial "liquid fund" for local economic development.

In November, the Company and its subsidiary, Hua Ying Securities, actively participated in the "One Day Donation" charity activity of "Achieving Common Prosperity with the Help of Charity". The activity was jointly initiated by nine departments including the Propaganda Department of Wuxi Municipal Party Committee (無錫市委宣傳部), with a total donation of RMB122,800, which was mainly used for projects such as helping people in need, boosting rural revitalization, helping epidemic prevention and control, and caring for elderly people.

From November to December, the Company and its subsidiary, Hua Ying Securities, earnestly fulfilled their social responsibilities and strengthened the results of "One Company, One County" pairing assistance. Rural revitalization public welfare activities were carried out in 5 counties under pairing assistance, namely Susong county, Hezhang county, Poyang County, Badong county and Pingchang county, with a total donation of RMB500,000. Among which, RMB100,000 were donated to Susong County to provide youth education assistance for students who have difficulties in studying in high school, and fund the construction of four Guolian hope houses. With the opening of the Qingxin Humiao Classroom (青心護苗課堂), the left-behind children are organized to carry out educational and practical activities through which it helped them grow up healthily. RMB90,000 were donated to Tianba Primary School in Hezhang county to purchase "Class to Class" teaching equipment and set up caring student grants to ensure the quality of teaching and encourage the students to develop in an all-round way. RMB10,000 were donated to Hezhang County Charity Association which was specially used for left-behind children in the county, focusing on caring and dedicating love. RMB100,000 were donated to Dongqiao Primary School in Poyang County to purchase teaching equipment, improve campus infrastructure, build a "home for left-behind children", and improve the teaching environment of the school. RMB100,000 were donated to Badong county's "Enjoying a Sunshine childhood Sponsorship Program for children in poverty", which provided financial aid to a total of 50 students from Qingtaiping Town National Primary School and Qingtaiping Town National Middle School in Badong County, enabling them to live and study under caring and sunshine. RMB100,000 were donated to Sima Middle School, Baping Primary School and Hanshui Primary School in Pingchang county to help and support poor children in the school, which benefited more than 100 students.

In December, the Company actively responded to the appeal of "the Public Welfare Action of Securities Industry to Promote Rural Revitalization" initiated by SAC, and invested RMB8.5 million to set up the "Guolian Securities Red Cross Public Welfare Fund", which was used to consolidate the results of "One Company, One County" pairing assistance and carry out rural revitalization public welfare projects. At present, the public welfare fund has implemented the "Health Checkup Warms Heart" health checkup care project, which is mainly aimed at outstanding volunteers and talents who have made outstanding contributions to promote rural revitalization and low-carbon development.

Deloitte. 德勤

To the Shareholders of Guolian Securities Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Guolian Securities Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 179 to 330, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Consolidation of Structured Entities We identified consolidation of structured entities as a key audit matter due to the key judgement exercised by the management of the Group in assessing and concluding whether the Group controls the structured entities. The Group consolidated the structured entities which it controlled. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group held interests as investor and/or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities. The carrying amount of the interests in unconsolidated structured entities held by the Group was disclosed in Note 59 to the consolidated financial statements, whilst the carrying amount of the Company's investments in consolidated structured entities was presented in Note 61 to the consolidated financial statements.	Our procedures in relation to this key audit matter included: • Understanding and evaluating the key controls over the management's process in relation to the determination of consolidation scope using the principle of control: • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of significant structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in the proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope of consolidation for each of the abovementioned structured entities and, assessing the conclusion about whether a structured entity should be consolidated or not.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss assessment of margin accounts receivable and equity securities held under resale agreements	
We identified the expected credit loss (ECL) assessment of margin accounts receivable and equity securities held under resale agreements as a key audit matter as these financial assets are material to the Group, and the management of the Group exercises significant judgements and estimation to assess and measure ECL. Significant judgements by the Group in ECL measurement includes assessing whether the credit risk of an asset has significantly increased since initial recognition and whether an asset is credit-impaired, using appropriate models and assumptions, determining the key inputs including probability of default (PD), loss given default (LGD), exposure at default (EAD) and forward-looking information. As at 31 December 2021, the Group held margin accounts receivable of RMB 10,804,311 thousands, less impairment allowance of RMB 12,972 thousands as disclosed in Note 34 to the consolidated financial statements and equity securities held under resale agreements of RMB 2,526,889 thousands, less impairment allowance of RMB 167,260 thousands as disclosed in Note 26 to the consolidated financial statements.	Our procedures in relation to this key audit matter included: • Understanding and evaluating the management's process and key controls over the measurement of ECL; • Evaluating the appropriateness of the ECL model, the critical assumptions and parameters used in the model, in particular the PD, LGD and forward-looking information with the involvement of our internal experts; • Reviewing the parameters and judgement made by the management on a sample basis, including the determination of the stages of the financial assets, PD and LGD, expected future cash flows, financial condition of counterparties and guarantors, and the realisation of collateral held, as appropriate; • Testing the mathematical accuracy of the calculation of ECL.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chan, Wo Mi.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

24 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue			
– Commission and fee income	6	**1,676,437**	1,107,418
– Interest income under effective interest method	7	**1,157,626**	891,156
Net investment gains	8	**1,393,653**	678,863
Other income	9	**3,554**	4,586
Total revenue, net investment gains and other income		**4,231,270**	2,682,023
Commission and fee expenses	10	**(330,869)**	(231,933)
Interest expenses	11	**(941,881)**	(585,534)
Staff costs	12	**(1,255,051)**	(700,439)
Depreciation and amortization	13	**(174,061)**	(159,794)
Other operating expenses	14	**(328,145)**	(215,177)
Impairment losses under expected credit loss model, net of reversal	15	**(29,597)**	(12,212)
Total expenses		**(3,059,604)**	(1,905,089)
Total revenue, net investment gains and other income less total expenses		**1,171,666**	776,934
Share of results of associates		**2,255**	702
Other (losses)/gains, net	16	**(556)**	10,286
Profit before income tax		**1,173,365**	787,922
Income tax expense	17	**(284,725)**	(200,051)
Profit for the year		**888,640**	587,871
Attributable to:			
Shareholders of the Company		**888,640**	587,871
		888,640	587,871
Earnings per share (Expressed in RMB per share)			
– Basic	18	**0.36**	0.28

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**888,640**	587,871
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss:		
Fair value gain/(loss) on:		
– investments in equity instruments at fair value through other comprehensive income	**196,913**	–
Income tax relating to items that will not be reclassified to profit or loss	**(49,228)**	–
	147,685	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(6,903)**	(21,351)
Fair value gain/(loss) on:		
– debt instruments measured at fair value through other comprehensive income	**47,118**	(631)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	**32,698**	5,126
Income tax relating to items that may be reclassified subsequently	**(19,953)**	(1,123)
	52,960	(17,979)
Other comprehensive income/(expense) for the year, net of tax	**200,645**	(17,979)
Total comprehensive income for the year	**1,089,285**	569,892
Attributable to:		
Shareholders of the Company	**1,089,285**	569,892

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021/12/31 RMB'000	2020/12/31 RMB'000
Assets			
Non-current assets			
Property and equipment	20	**95,843**	88,752
Right-of-use assets	21	**165,629**	177,560
Intangible assets	22	**57,762**	59,145
Interests in associates	24	**102,921**	104,903
Other non-current assets	25	**36,645**	326,479
Financial assets held under resale agreements	26	**280,344**	24,838
Financial assets at fair value through profit or loss	27	**703,887**	322,828
Equity instruments at fair value through other comprehensive income	28	**2,579,203**	–
Derivative financial assets	29	**71,591**	18,425
Debt instruments at fair value through other comprehensive income	30	**6,240,445**	1,678,037
Deferred tax assets	31	**24,551**	36,960
Refundable deposits	32	**327,299**	236,637
Total non-current assets		**10,686,120**	3,074,564
Current assets			
Other current assets	33	**522,672**	696,167
Margin accounts receivable	34	**10,791,339**	8,413,066
Financial assets held under resale agreements	26	**2,677,790**	4,102,681
Financial assets at fair value through profit or loss	27	**27,006,204**	16,632,263
Derivative financial assets	29	**413,450**	59,220
Clearing settlement funds	35	**3,268,118**	2,511,606
Cash held for brokerage clients	36	**8,572,113**	7,449,016
Cash and bank balances	37	**2,001,433**	3,281,366
Total current assets		**55,253,119**	43,145,385
Total assets		**65,939,239**	46,219,949
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	38	**2,831,773**	2,378,119
Share premium	39	**8,189,045**	3,659,711
Reserves	39	**2,476,720**	2,061,633
Retained earnings		**2,883,531**	2,494,707
Total equity attributable to shareholders of the Company		**16,381,069**	10,594,170

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2021/12/31 RMB'000	2020/12/31 RMB'000
Total equity		**16,381,069**	10,594,170
Liabilities			
Non-current liabilities			
Bonds in issue	40	**11,496,786**	7,300,000
Other non-current liabilities	41	**1,425,330**	352,892
Lease liabilities	42	**95,704**	118,079
Derivative financial liabilities	29	**49,263**	21,601
Financial liabilities at fair value through profit or loss	49	**537,017**	71,994
Deferred tax liabilities	31	**90,876**	–
Total non-current liabilities		**13,694,976**	7,864,566
Current liabilities			
Other current liabilities	43	**2,841,233**	1,928,847
Current income tax liabilities		**62,003**	28,497
Short-term borrowings	45	**38,268**	–
Bonds in issue	40	**6,735,631**	6,479,759
Lease liabilities	42	**71,090**	57,564
Contract liabilities	46	**11,867**	9,312
Due to other financial institutions	47	**850,315**	300,070
Derivative financial liabilities	29	**381,509**	94,983
Financial assets sold under repurchase agreements	48	**12,796,010**	8,707,695
Financial liabilities at fair value through profit or loss	49	**892,689**	827,288
Accounts payable to brokerage clients	50	**11,182,579**	9,327,198
Total current liabilities		**35,863,194**	27,761,213
Total liabilities		**49,558,170**	35,625,779
Total equity and liabilities		**65,939,239**	46,219,949

The consolidated financial statements on pages 179 to 330 were approved and authorised for issue by the Board of Directors on 24 March 2022 and signed on behalf by:

Ge Xiaobo
Chairman of the Board (acting), Executive Director, President

Chen Zhiying
Person in Charge of the Accounting Office

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

		Attributable to shareholders of the Company								
				Reserves						
	Notes	Share capital RMB'000	Share premium RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Revaluation reserve RMB'000	Translation reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2021		2,378,119	3,659,711	605,753	1,488,676	3,372	(21,351)	(14,817)	2,494,707	10,594,170
Profit for the year		–	–	–	–	–	–	–	888,640	888,640
Other comprehensive income/(expense) for the year		–	–	–	–	207,548	(6,903)	–	–	200,645
Total comprehensive income/(expense) for the year		–	–	–	–	207,548	(6,903)	–	888,640	1,089,285
Issue of shares	38	453,654	4,529,334	–	–	–	–	–	–	4,982,988
Dividends recognised as distribution	19	–	–	–	–	–	–	–	(285,374)	(285,374)
Appropriation to surplus reserve		–	–	71,172	–	–	–	–	(71,172)	–
Appropriation to general reserve		–	–	–	143,270	–	–	–	(143,270)	–
Balance at 31 December 2021		2,831,773	8,189,045	676,925	1,631,946	210,920	(28,254)	(14,817)	2,883,531	16,381,069
Balance at 1 January 2020		1,902,400	2,178,478	548,961	1,373,525	–	–	(14,817)	2,078,779	8,067,326
Profit for the year		–	–	–	–	–	–	–	587,871	587,871
Other comprehensive income/(expense) for the year		–	–	–	–	3,372	(21,351)	–	–	(17,979)
Total comprehensive income/(expense) for the year		–	–	–	–	3,372	(21,351)	–	587,871	569,892
Issue of shares		475,719	1,481,233	–	–	–	–	–	–	1,956,952
Appropriation to surplus reserve		–	–	56,792	–	–	–	–	(56,792)	–
Appropriation to general reserve		–	–	–	115,151	–	–	–	(115,151)	–
Balance at 31 December 2020		2,378,119	3,659,711	605,753	1,488,676	3,372	(21,351)	(14,817)	2,494,707	10,594,170

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before income tax	**1,173,365**	787,922
Adjustments for:		
Depreciation and amortisation	**174,061**	159,794
Impairment losses under expected credit loss model, net of reversal	**29,597**	12,212
Net gains on disposal of property and equipment, intangible assets and other non-current assets, net	**(2,878)**	(320)
Unrealised fair value change of financial instruments at fair value through profit or loss	**(179,523)**	(87,275)
Foreign exchange losses/(gains)	**978**	(3,848)
Share profit of associates	**(2,255)**	(702)
Interest income from debt instruments at fair value through other comprehensive income	**(141,168)**	(18,079)
Net (gains)/losses from disposal of debt instruments at fair value through other comprehensive income	**(23,338)**	3,054
Dividends from equity instruments at fair value through other comprehensive income	**(161,420)**	–
Interest expense on bonds in issue	**578,068**	370,550
Interest expense on lease liabilities	**7,801**	7,332
Net realised gains from disposal of financial instruments at fair value through profit or loss	**(71,439)**	(180,813)
Realised gains from disposal of an associate	**(13)**	–
Dividends and interest received from financial instruments at fair value through profit or loss	**(15,770)**	(8,486)
Operating cash flows before movements in working capital	**1,366,066**	1,041,341
Net increase in margin accounts receivable	**(2,383,532)**	(3,776,237)
Net increase in financial assets at fair value through profit or loss	**(10,912,588)**	(8,856,978)
Net (increase)/decrease in financial assets held under resale agreements	**(645,410)**	868,863
Net increase in refundable deposits	**(90,662)**	(172,003)
Net increase in cash held for brokerage clients	**(1,123,097)**	(901,303)
Net increase in clearing settlement funds	**(545,244)**	(72,568)
Net increase in other assets	**(626,122)**	(870,679)
Net increase in accounts payable to brokerage clients	**1,855,381**	1,114,865
Net increase in financial assets sold under repurchase agreements	**4,088,315**	5,014,703
Net increase in due to other financial institutions	**550,245**	99,785
Net increase in other liabilities	**1,970,581**	1,760,571
Net decrease in financial liabilities at fair value through profit or loss	**(141,506)**	(486,688)
Cash used in operations	**(6,637,573)**	(5,236,328)
Income taxes paid	**(217,116)**	(134,511)
Net cash used in operating activities	**(6,854,689)**	(5,370,839)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Dividends received from investments		**177,190**	186,246
Interest received from investments		**79,031**	7,388
Proceeds from disposal of an associate		**4,250**	–
Proceeds on disposal of property and equipment, intangible assets and other long-term assets		**1,935**	1,929
Purchase of property and equipment, intangible assets and other long-term assets		**(106,724)**	(86,305)
Cash paid for purchase of			
– financial instruments at fair value through profit or loss		**(1,054,069)**	(1,647,707)
– debt instruments at fair value through other comprehensive income		**(8,758,153)**	(1,817,977)
– equity instruments at fair value through other comprehensive income		**(2,382,289)**	–
Cash received from disposal of			
– financial instruments at fair value through profit or loss		**1,388,460**	1,873,775
– debt instruments at fair value through other comprehensive income		**4,328,338**	150,000
Net cash used in investing activities		**(6,322,031)**	(1,332,651)
Cash flows from financing activities			
Interest paid for bonds in issue		**(451,165)**	(305,819)
Dividends paid		**(285,374)**	–
Repayment of lease liabilities		**(81,754)**	(84,176)
Cash received from additional short-term borrowings		**38,268**	–
Cash received from additional bonds in issue		**15,320,603**	17,734,058
Cash paid for repayment of bonds in issue		**(10,348,031)**	(10,164,108)
Net proceeds from issue of shares		**4,982,988**	1,956,952
Net cash from financing activities	54	**9,175,535**	9,136,907
Effect of exchange rate changes on the balance of cash held in foreign currencies		**(2,573)**	2,782
Net (decrease)/increase in cash and cash equivalents		**(4,001,185)**	2,433,417
Cash and cash equivalents at the beginning of the year		**6,398,847**	3,962,648
Cash and cash equivalents at the end of the year	51	**2,395,089**	6,398,847
Net cash from/(used in) operating activities including:			
Interest received		**1,490,276**	1,044,326
Interest paid		**(350,359)**	(205,954)
Dividend received		**18,100**	6,715

1. General Information

Guolian Securities Co., Ltd. (國聯證券股份有限公司)(the "Company") is a joint stock financial institution incorporated in Jiangsu Province, the People's Republic of China (the "PRC").

The Company, originally named as Wuxi Securities Company (無錫市證券公司), was set up upon approval from the People's Bank of China in November 1992 as a collectively owned enterprise with an initial registered capital of RMB32,000 thousand. On 8 January 1999, the Company was converted to a limited liability company and was renamed as Wuxi Securities Co., Ltd. (無錫證券有限責任公司). On 16 May 2008, Wuxi Securities Co., Ltd. was converted to a joint-stock company upon approval by the China Securities Regulatory Commission (the "CSRC") with a registered capital of RMB1,500,000 thousand and was renamed as Guolian Securities Co., Ltd. (國聯證券股份有限公司).

The Company completed its initial public offering of overseas-listed foreign shares ("H" shares) on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 6 July 2015. Under the offering, the Company issued a total of 402,400 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB1,902,400 thousand.

The Company completed its initial public offering of A shares on the Shanghai Stock Exchange on 31 July 2020. Under this offering, the Company issued a total of 475,719 thousand shares with a nominal value of RMB1 per share. After this public offering, total share capital of the Company increased to RMB2,378,119 thousand.

On July 27, 2021, the Company received the approval for the non-public offering issued by the CSRC, according to which the Company could issue 453,654 thousand ordinary shares (A-shares) to 23 specific investors. On October 15, 2021, the newly issued shares have been registered in China Securities Depository & Clearing Co., LTD. Shanghai Branch (the "CDB Shanghai Branch"). After the non-public offering, total share capital of the Company increased to RMB2,831,773 thousand.

As at 31 December 2021, the registered capital of the Company is RMB2,831,773 thousand. The Company holds the securities institution licence and business license No.91320200135914870B. The registered address of the Company is No.8 Jinrong One Street, Wuxi, Jiangsu Province, PRC.

The Company's ultimate holding company is Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries). Guolian Group is a PRC enterprise regulated and directly managed by Wuxi State-Owned Assets Supervision and Administration Committee ("Wuxi SASAC"). Wuxi SASAC is the actual controller of the company.

1. General Information – continued

As of 31 December 2021, the Company has established 101 branches, including 13 branch offices and 88 securities branches, which are mainly located in Jiangsu province.

The Company and its subsidiaries (the "Group") are engaged in the following principal activities: securities brokerage, investment consultancy and financial advisory services related to securities trading and securities investment, proprietary trading, asset management, agency sale of financial products, margin financing and securities lending, introducing broker for futures companies, investment management, proprietary investment in venture capital, industrial investment, equity investment, securities underwriting and sponsorship of stocks (including RMB ordinary shares and foreign shares) and bonds (including government bonds and corporate bonds) and other businesses approved by the China Securities Regulatory Commission (projects in accordance with the law and approved by relevant departments).

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as functional currency of the Company. All financial statements and notes to the consolidated financial statements are presented in RMB and has been rounded to the nearest thousands, except when otherwise indicates.

These consolidated financial statements were authorised for issue by the Board of Directors (the "Board") on 24 March 2022.

2. Application of Amendments to International Financial Reporting Standards ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IFRS 39 IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of Amendments to International Financial Reporting Standards ("IFRSs") – continued

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis (except for financial instruments that are measured at fair values) at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.1 Basis of preparation of consolidated financial statements – continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities ("SEs")) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Basis of consolidation – continued

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group has decision-making rights (a decision maker) over a structured entity, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the structured entity.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the structured entity, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the Group's exposure to variability of returns from other interests that it holds in the investee.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Basis of consolidation – continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries – continued

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments ("IFRS 9"), when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Business combinations or asset acquisitions – continued

Business combinations – continued

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Investments in associates – continued

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purpose (other than construction in progress). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	0 – 5%	30 years
Motor vehicles	0 – 5%	6 years
Electronics and other equipment	0 – 5%	2 – 5 years

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Intangible assets

Intangible assets acquired separately

The estimated useful lives of each class of intangible assets with finite useful life are as follows:

Classes	Useful lives
Trade names	10 years
Software and others	2 – 5 years

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Intangible assets – continued

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Intangible assets – continued

Internally-generated intangible assets – research and development expenditure – continued

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Right-of-use assets – continued

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Lease liabilities – continued
The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessee – continued

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessor – continued

Classification and measurement of leases – continued

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Leases – continued

The Group as a lessor – continued

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Employee benefits – continued

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Taxation – continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued
A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

If the fair value is evidenced by Level 1 inputs or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 P&L). In other circumstances, the day 1 P&L is deferred.

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit– impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of change in equity. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the change in equity; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Classification and subsequent measurement of financial assets – continued

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, margin accounts receivable, accounts receivable and other receivables in other current assets and refundable deposits), and other items (loan commitments) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(i) Significant increase in credit risk – continued

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor;

- significant deterioration in the value of collateral or quality of guarantee or credit enhancements provided by a third party. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit– impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(iii) Credit-impaired financial assets – continued

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 – continued

(v) Measurement and recognition of ECL – continued

For ECL on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivables are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

(a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and

(b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the debt investment revaluation reserve without reducing the carrying amounts of these debt instruments.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial assets – continued

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL or debt instruments measured at amortised cost as appropriate. The corresponding liability is included in "financial assets sold under repurchase agreements". Consideration paid for financial assets held under agreements to resell are recorded as "financial assets held under resale agreements". Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Securities lending

The Group lends securities to clients and the cash collateral balances required under the securities lending agreements and the interest arisen from the cash collateral are included in "accounts payable to brokerage clients". For those securities held by the Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities – continued

Financial liabilities at FVTPL – continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities – continued

Financial liabilities at amortised cost
Financial liabilities including due to other financial institutions, accounts payable to brokerage clients, other payables, bonds in issue and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Derecognition and substantial modification of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors.

If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities – continued

Derecognition and substantial modification of financial liabilities – continued

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities is will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Financial liabilities – continued

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Financial instruments – continued

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Revenue from contracts with customers – continued

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group's revenue mainly comes from the following types of business:

Commission and fee income

(a) Commission and fee income arising from securities brokerage services is recognised at a point in time on the execution date of the securities transaction;;

(b) Commission and fee income arising from underwriting is recognised at a point in time. Revenue from sponsorship, financial advisory and investment consultancy is recognised when the contractual obligations are fulfilled;;

(c) Commission and fee income arising from asset management services is recognised in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

Other income

Other income is recognised when the contractual obligations are fulfilled.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit where a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies – continued

3.2 Significant accounting policies – continued

Impairment on tangible and intangible assets other than goodwill and financial assets – continued

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgment

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Group controlled the structured entities and should consolidated these structured entities.

Expected credit losses of advances to customers and debt instruments at fair value through other comprehensive income

The Group estimates the amount of loss allowance for ECL on its margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The assessment of the credit risk of margin accounts receivable, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. Details on ECL are included in Note 56 to the consolidated financial statements.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgment – continued

Expected credit losses of advances to customers – continued

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of advances to customers are set out in Notes 26 and 34.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgment – continued

Expected credit losses of advances to customers – continued

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and Deferred tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the deductible temporary differences are disclosed in Note 31.

5. Segment analysis

The Group manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

(a) Brokerage and wealth management: securities trading and brokering services, sales of wealth management products, investment consulting, and asset allocation;

(b) Credit transaction: providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;

(c) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;

(d) Proprietary trading: trading in financial products;

(e) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;

(f) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the year ended 31 December 2021.

The Group mainly operates in Jiangsu Province, the PRC. Almost all of the revenue and other income of the Group are generated in the PRC.

Non-current assets of the Group are all located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Group.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

5. Segment analysis – continued

Year ended 31 December 2021

	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other business RMB'000	Elimination RMB'000	Total RMB'000
Total revenue, net investment gains and other income	1,156,773	733,934	591,245	1,317,961	261,431	201,995	(32,069)	4,231,270
Commission and fee income								
–external	973,058	19,330	535,448	1,786	146,815	–	–	1,676,437
–internal	–	–	19,128	–	3,800	9,141	(32,069)	–
Interest income								
–external	183,655	714,604	15,221	157,533	19,887	66,726	–	1,157,626
–internal	–	–	–	–	–	–	–	–
Net investment gains								
–external	–	–	21,448	1,158,642	90,929	122,634	–	1,393,653
–internal	–	–	–	–	–	–	–	–
Other income								
–external	60	–	–	–	–	3,494	–	3,554
–internal	–	–	–	–	–	–	–	–
Total expenses (including – reversal of impairment losses)	(798,395)	(437,311)	(457,702)	(657,351)	(146,511)	(575,752)	13,418	(3,059,604)
Operating profit/(loss)	358,378	296,623	133,543	660,610	114,920	(373,757)	(18,651)	1,171,666
Other gains/(losses), net								
–external	5,410	–	(1,459)	(539)	1	(3,969)	–	(556)
–internal	–	–	–	–	–	–	–	–
Share of profits of investments in associates	–	–	–	–	–	2,255	–	2,255
Profit/(loss) before income tax	363,788	296,623	132,084	660,071	114,921	(375,471)	(18,651)	1,173,365
Total assets	10,433,662	14,344,531	810,697	30,989,981	1,326,770	8,995,029	(961,431)	65,939,239
Total liabilities	9,994,930	12,269,125	277,765	25,421,632	558,333	1,021,509	14,876	49,558,170
Supplemental information								
Interests in associates	–	–	–	–	–	102,921	–	102,921
Capital expenditure	93,143	687	14,679	3,630	9,159	52,192	–	173,490
Depreciation and amortisation	80,856	1,196	23,771	4,748	5,512	57,978	–	174,061
Impairment losses/(reversal)	–	(579)	575	32,690	(2,719)	(370)	–	29,597

5. Segment analysis – continued

Year ended 31 December 2020

	Brokerage and wealth management RMB'000	Credit transaction RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other business RMB'000	Elimination RMB'000	Total RMB'000
Total revenue, net investment gains and other income	938,974	581,133	362,449	675,021	104,206	70,240	(50,000)	2,682,023
Commission and fee income								
–external	752,104	5,529	277,110	–	72,675	–	–	1,107,418
–internal	–	–	50,000	–	–	–	(50,000)	–
Interest income								
external	186,810	575,604	12,586	31,527	18,915	65,714	–	891,156
–internal	–	–	–	–	–	–	–	–
Net investment gains								
–external	–	–	22,753	643,494	12,616	–	–	678,863
–internal	–	–	–	–	–	–	–	–
Other income								
–external	60	–	–	–	–	4,526	–	4,586
–internal	–	–	–	–	–	–	–	–
Total expenses (including – reversal of impairment losses)	(600,336)	(353,999)	(256,471)	(253,772)	(54,449)	(394,298)	8,236	(1,905,089)
Operating profit/(loss)	338,638	227,134	105,978	421,249	49,757	(324,058)	(41,764)	776,934
Other gains, net								
–external	2,826	–	2,813	16	10	4,621	–	10,286
–internal	–	–	–	–	–	–	–	–
Share of profits of investments in associates	–	–	–	–	238	464	–	702
Profit/(loss) before income tax	341,464	227,134	108,791	421,265	50,005	(318,973)	(41,764)	787,922
Total assets	8,618,860	11,306,675	1,186,540	20,314,889	1,380,969	4,773,472	(1,361,456)	46,219,949
Total liabilities	8,269,841	10,116,511	152,767	15,635,998	805,614	622,152	22,896	35,625,779
Supplemental information								
Interests in associates	–	–	–	–	4,237	100,666	–	104,903
Capital expenditure	92,919	1,766	36,143	7,074	5,873	22,590	–	166,365
Depreciation and amortisation	67,507	476	24,771	1,713	3,717	61,610	–	159,794
Impairment losses	–	5,250	41	5,133	465	1,323	–	12,212

6. Commission and fee income

	2021 RMB'000	2020 RMB'000
Securities brokerage	883,570	745,464
Underwriting and sponsorship	456,711	202,239
Investment consultancy and financial advisory	174,577	81,510
Asset management (Note a)	142,249	72,676
Others	19,330	5,529
	1,676,437	1,107,418

Note a: The Group provides asset management services in respect of various asset management schemes. Performance obligation is satisfied over the term of respective asset management schemes. Management fees of asset management schemes are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, management fees of asset management schemes can only be recognised when they are determinable based on actual performance measurement.

Note b: As at 31 December 2021, the Group expected that performance obligation would be satisfied within one year for most existing contracts.

7. Interest income under effective interest method

	2021 RMB'000	2020 RMB'000
Interest income from margin financing	608,858	428,686
Interest income from bank deposits	265,180	275,396
Interest income from financial assets held under resale agreements	142,420	168,995
Interest income from debt instruments at fair value through other comprehensive income	141,168	18,079
	1,157,626	891,156

8. Net investment gains/(losses)

	2021 RMB'000	2020 RMB'000
Net realised gains from disposal of an associate	13	–
Realised gains from disposal of financial assets at fair value through profit or loss	232,289	183,612
Realised losses from disposal of financial liabilities at fair value through profit or loss	(50,404)	(6,040)
Realised gains/(losses) from disposal of financial assets at fair value through other comprehensive income	23,338	(3,053)
Dividend income from equity instruments at fair value through other comprehensive income	161,420	–
Distribution to interest holders of consolidated SEs	(1,012)	(44,371)
Interest income from financial instruments at fair value through profit or loss	570,927	405,064
Dividends from financial instruments at fair value through profit or loss	34,018	14,963
Net realised gains from derivative financial instruments	243,541	41,413
Unrealised fair value change of financial instruments at fair value through profit or loss		
–Financial assets at fair value through profit or loss	121,653	126,056
–Derivative financial instruments	70,608	(43,223)
–Financial liabilities at fair value through profit or loss	(12,738)	4,442
	1,393,653	678,863

9. Other income

	2021 RMB'000	2020 RMB'000
Rental income	3,324	2,760
Others	230	1,826
	3,554	4,586

10. Commission and fee expenses

	2021 RMB'000	2020 RMB'000
Securities brokerage	274,432	219,220
Underwriting and sponsorship	30,951	2,089
Investment consultancy and financial advisory	1,461	–
Asset management	1,651	1,084
Others	22,374	9,540
	330,869	231,933

11. Interest expenses

	2021 RMB'000	2020 RMB'000
Interest expense on bonds in issue	578,068	370,550
Interest expense on financial assets sold under repurchase agreements	298,615	160,207
Interest expense on accounts payable to brokerage clients	40,897	38,812
Interest expenses on due to other financial institutions	16,444	8,633
Interest expense on lease liabilities	7,801	7,332
Other interest expenses	56	–
	941,881	585,534

12. Staff costs (including directors' and supervisors' remuneration)

	2021 RMB'000	2020 RMB'000
Salaries and bonus	1,049,813	603,235
Pension	110,785	34,318
Other social security	64,194	43,790
Labour union funds and employee education funds	7,739	6,397
Other welfares	22,520	12,699
	1,255,051	700,439

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.1 The five highest paid individuals

The five highest paid employees of the Group during the year included one director (2020: one director), details of whose remuneration are set out in Note 12.2. Details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are neither a director nor supervisor of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries allowances and other welfares	6,448	12,913
Bonus	35,198	11,314
	41,646	24,227

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2021	2020
HKD3,000,001 to HKD5,000,000	–	2
HKD5,000,001 to HKD10,000,000	2	2
HKD10,000,001 to HKD15,000,000	1	–
HKD15,000,001 to HKD20,000,000	1	–
	4	4

The Group has not provided any compensations to any of the directors and supervisors of the Company or the five highest paid individuals as incentive for them to join the Group, rewarding for joining the Group or for leaving the Group.

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments

The remuneration of directors and supervisors of the Company is set out below:

For the year ended 31 December 2021

Name	Fees RMB'000	Housing Salaries RMB'000	allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive Director							
Ge Xiaobo (Chairman) (appointment came into effect on 23 October 2019)	–	960	40	48	103	6,000	7,151
Non-executive Directors							
Yao Zhiyong (appointed on 8 March 2017, resigned on 7 December 2021)	–	–	–	–	–	–	–
Hua Weirong (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhou Weiping (appointed on 16 June 2016)	–	–	–	–	–	–	–
Liu Hailin (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhang Weigang (appointed on 16 June 2016)	–	–	–	–	–	–	–
Wu Xingyu (appointed on 8 November 2018)	120	–	–	–	–	–	120
Zhu Hehua (appointed on 27 June 2019)	120	–	–	–	–	–	120
Lu Yuanzhu (appointed on 10 March 2017)	120	–	–	–	–	–	120
Supervisors							
Jiang Zhiqiang (appointed on 10 March 2017)	–	720	39	38	101	1,850	2,748
Zhou Weixing (appointed on 16 June 2016)	–	–	–	–	–	–	–
Ren Jun (appointed on 10 March 2017)	–	–	–	–	–	–	–
Shen Ying (appointed on 16 June 2016)	–	212	31	38	22	130	433
Yu Lei (appointed on 16 June 2016)	–	309	39	38	33	291	710
	360	2,201	149	162	259	8,271	11,402

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments – continued

For the year ended 31 December 2020

Name	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive Director							
Ge Xiaobo (appointment came into effect on 23 October 2019)	–	960	40	8	67	4,000	5,075
Non-executive Directors							
Yao Zhiyong (Chairman) (appointed on 8 March 2017)	–	–	–	–	–	–	–
Hua Weirong (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhou Weiping (appointed on 16 June 2016)	–	–	–	–	–	–	–
Liu Hailin (appointed on 16 June 2016)	–	–	–	–	–	–	–
Zhang Weigang (appointed on 16 June 2016)	–	–	–	–	–	–	–
Wu Xingyu (appointed on 8 November 2018)	120	–	–	–	–	–	120
Zhu Hehua (appointed on 27 June 2019)	120	–	–	–	–	–	120
Lu Yuanzhu (appointed on 10 March 2017)	120	–	–	–	–	–	120
Supervisors							
Jiang Zhiqiang (appointed on 10 March 2017)	–	720	36	5	73	880	1,714
Zhou Weixing (appointed on 16 June 2016)	–	–	–	–	–	–	–
Ren Jun (appointed on 10 March 2017)	–	–	–	–	–	–	–
Shen Ying (appointed on 16 June 2016)	–	188	26	5	17	90	326
Yu Lei (appointed on 16 June 2016)	–	223	36	5	25	235	524
	360	2,091	138	23	182	5,205	7,999

12. Staff costs (including directors' and supervisors' remuneration) – continued

12.2 Directors' and supervisors' emoluments – continued

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company. The non-executive directors' emoluments shown above were for their services as directors of the Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Company but receive remuneration from the Company's holding company, in respect of their services to the larger group which includes the Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13. Depreciation and amortization

	2021 RMB'000	2020 RMB'000
Depreciation of property and equipment	**28,831**	23,606
Amortisation of intangible assets	**51,340**	43,851
Amortisation of long-term prepaid expense	**15,317**	17,976
Depreciation of right-of-use assets	**78,573**	74,361
	174,061	159,794

14. Other operating expenses

	2021 RMB'000	2020 RMB'000
Tax and surcharges	19,977	14,981
Rentals	2,138	2,416
Office expenses	36,694	32,266
Marketing and distribution expenses	47,011	26,551
Securities investors protection fund	46,579	9,222
Travelling expenses	35,509	20,708
Postage and communication expenses	46,158	42,027
Consulting expenses	17,925	11,244
Professional service expenses	15,436	13,623
Auditor's remuneration		
– audit services (Note)	3,340	3,330
Others	57,378	38,809
	328,145	215,177

Note: Auditor's remuneration for statutory audit of the Group for the year ended 31 December 2021 was included in auditor's remuneration (2020: the same). The statutory financial statements were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (2020: the same).

15. Impairment losses under expected credit loss model, net of reversal

	2021 RMB'000	2020 RMB'000
Margin accounts receivable	5,259	1,568
Accounts receivable and other receivables	(31)	1,836
Financial assets held under resale agreements	(8,329)	3,682
Debt instruments at fair value through other comprehensive income	32,698	5,126
	29,597	12,212

16. Other (losses)/gains, net

	2021 RMB'000	2020 RMB'000
Foreign exchange (losses)/gains	(978)	3,848
Government grants	7,609	12,204
Others	(7,187)	(5,766)
	(556)	10,286

17. Income tax expense

	2021 RMB'000	2020 RMB'000
Current income tax expense		
– Mainland China	252,304	198,317
– Hong Kong, China	–	56
	252,304	198,373
(Over)/under provision in prior years		
– Mainland China	(1,682)	2,775
Deferred tax		
– Mainland China (Note 31)	32,617	(58)
– Hong Kong, China (Note 31)	1,486	(1,039)
	34,103	(1,097)
Income tax expense	284,725	200,051

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

As at December 31, 2021, the Group had estimated tax losses of approximately RMB21,375 thousand for Guolian Securities (H.K.) Co., Ltd. No deferred tax assets has been recognised in respect of estimated tax losses as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount. These tax losses has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department.

17. Income tax expense – continued

As at December 31, 2021, the Group had estimated tax losses of approximately RMB21,375 thousand for Guolian Securities (H.K.) Co., Ltd. No deferred tax assets has been recognised in respect of estimated tax losses as it is uncertain whether sufficient future taxable profits will be available in the future to offset the amount. These tax losses has no expiry date and can be carried forward indefinitely subject to the approval of the Inland Revenue Department.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before income tax	**1,173,365**	787,922
Tax calculated at applicable statutory tax rate	**293,341**	196,981
Effect of different tax rates of subsidiaries operating in other jurisdictions	**563**	1,993
Tax effect of income not taxable for tax purpose	**(14,134)**	(6,529)
Tax effect of expenses not deductible for tax purposes	**4,874**	4,831
Tax effect of tax losses not recognised	**1,763**	–
(Over)/under provision in respect of prior years	**(1,682)**	2,775
Income tax expense for the year	**284,725**	200,051

18. Earnings per share

18.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
Profit attributable to shareholders of the Company (RMB'000)	**888,640**	587,871
Weighted average number of ordinary shares in issue (in thousand)	**2,491,533**	2,100,616
Basic earnings per share (in RMB)	**0.36**	0.28

18. Earnings per share – continued

18.2 Diluted earnings per share

For the year ended 31 December 2021, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share (2020: the same).

19. Dividends

	2021	2020
Dividends recognised as distribution	285,374	–

Pursuant to the resolution of annual general meeting 2021, the Company declared 2020 final dividend of RMB0.12 (taxes inclusive) per share respectively, satisfied by cash.

Dividend proposed since the end of the reporting period is disclosed in Note 60. (2020: Nil).

Under the "Company Law" of the PRC, the Company's Articles of Association and in accordance with the requirements of CSRC, the profit after income tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) 10% of the Company's profit is appropriated to the non-distributable statutory surplus reserve;

(3) 10% of the Company's profit is appropriated to the non-distributable general reserve;

(4) 10% of the Company's profit is appropriated to the non-distributable transaction risk reserve;

(5) 10% of the Company's management fee income from the large aggregate asset management plan is appropriated to the non-distributable transaction risk reserve;

(6) Appropriations to the discretionary surplus reserve with approval from the General Meeting of Shareholders. These funds form part of the shareholders' equity.

In accordance with the relevant regulations, upon the occurrence of certain events, the net profit after tax of the Group for the purpose of profit distribution is deemed to be the lesser of (1) the retained earnings determined in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") and (2) the retained earnings determined in accordance with IFRSs.

20. Property and equipment

	Buildings RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
Cost				
1 January 2021	155,303	4,592	196,578	356,473
Additions	–	–	36,572	36,572
Disposals	(360)	–	(8,482)	(8,842)
Exchange differences	–	–	(58)	(58)
31 December 2021	154,943	4,592	224,610	384,145
Accumulated depreciation				
1 January 2021	(106,191)	(3,786)	(157,744)	(267,721)
Additions	(5,507)	(233)	(23,091)	(28,831)
Disposals	272	–	7,977	8,249
Exchange differences	–	–	1	1
31 December 2021	(111,426)	(4,019)	(172,857)	(288,302)
Carrying amount				
1 January 2021	49,112	806	38,834	88,752
31 December 2021	43,517	573	51,753	95,843

For the year ended 31 December 2021, gains from disposal of property and equipment amounted to RMB1,340 thousand (2020: RMB2 thousand).

21. Right-of-use assets

	Buildings RMB'000	Motor Vehicles RMB'000	Total RMB'000
Cost			
1 January 2021	416,356	1,660	418,016
Additions	66,088	620	66,708
Disposals	(81,431)	–	(81,431)
Exchange difference	(114)	–	(114)
31 December 2021	400,899	2,280	403,179
Accumulated depreciation			
1 January 2021	(239,258)	(1,198)	(240,456)
Additions	(77,948)	(625)	(78,573)
Disposals	81,431	–	81,431
Exchange difference	48	–	48
31 December 2021	(235,727)	(1,823)	(237,550)
Carrying amount			
1 January 2021	177,098	462	177,560
31 December 2021	165,172	457	165,629

The Group leases various buildings and vehicles for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended 31 December 2021, total cash outflow for leases amounts to RMB81,754 thousand (2020: RMB84,176 thousand).

For the year ended 31 December 2021, expense relating to short-term leases amounts to RMB1,972 thousand (2020: RMB2,292 thousand). Expense relating to leases of low value assets excluding short– term leases of low value assets amounts to RMB166 thousand (2020: RMB124 thousand).

21. Right-of-use assets – continued

As at 31 December 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 14 (31 December 2020: the same).

In addition, as at 31 December 2021, lease liabilities of RMB166,794 thousand (31 December 2020: RMB175,643 thousand) are recognised with related right-of-use assets of RMB165,629 thousand (31 December 2020: RMB177,560 thousand) (Note 42). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2021, the Group did not enter into any lease that is not yet commenced (31 December 2020: Nil).

22. Intangible assets

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
1 January 2021	600	181,148	181,748
Additions	–	49,957	49,957
Disposals	–	–	–
31 December 2021	600	231,105	231,705
Accumulated amortisation			
1 January 2021	(580)	(122,023)	(122,603)
Additions	(20)	(51,320)	(51,340)
Disposals	–	–	–
31 December 2021	(600)	(173,343)	(173,943)
Carrying amount			
1 January 2021	20	59,125	59,145
31 December 2021	–	57,762	57,762

23. Principal subsidiaries

General information of principal subsidiaries

The following were principal subsidiaries of the Group as at 31 December 2021. The equity interests in these subsidiaries were all ordinary shares held by the Company and the percentage of ownership held by the Group represented the voting rights of the Group. The registered addresses were also their business locations.

Name of subsidiary	Type of legal entity registered	Date of establishment	Place of Registration	Registered capital (in thousand)	Equity interests held by the Group		Principal activities
					31 December 2021	31 December 2020	
Hua Ying Securities Co., Ltd. (i) (ii)	Limited liability company	April 2011	Wuxi, China	RMB200,000	100.00%	100.00%	Underwriting and sponsor
Guolian Tongbao Capital Investment Co., Ltd. (i)	Limited liability company	January 2010	Wuxi, China	RMB600,000	100.00%	100.00%	Equity Investment
Wuxi Guolian Chuangxin Capital Co., Ltd (i)	Limited liability company	July 2019	Wuxi, China	RMB500,000	100.00%	100.00%	Capital Investment
Guolian Securities (H.K.) Co., Ltd (i)	Limited liability company	April 2020	Hong Kong, China	HKD 300,000	100.00%	100.00%	Investment Advisory
Guolian Securities International Capital Co., Ltd	Limited liability company	April 2020	Hong Kong, China	HKD 5,000	100.00%	100.00%	Securities brokerage and investment consultation
Guolian Securities International Capital market Co., Ltd	Limited liability company	April 2020	Hong Kong, China	HKD 10,000	100.00%	100.00%	Investment banks corporate finance
Guolian Securities International Asset Management Co., Ltd	Limited liability company	April 2020	Hong Kong, China	HKD 5,000	100.00%	100.00%	Asset management
Guolian Securities International Co., Ltd	Limited liability company	April 2020	Hong Kong, China	HKD 8,000	100.00%	100.00%	Investment
Guolian Global Capital Limited (iii)	Limited liability company	January 2021	British Virgin Islands	USD 0.001	100.00%	–	Offshore investment management platform
Guolian Securities Global Investment SPC(iv)	Limited liability company	January 2021	Cayman Islands	USD 0.001	100.00%	–	Offshore private equity fund

23. Principal subsidiaries – continued

General information of principal subsidiaries – continued

Note (i): These subsidiaries are directly held by the Company.

Note (ii): During the year, Hua Ying Securities Co., Ltd. reduced its registered capital from RMB800 million to RMB200 million. After the capital reduction, the Company still holds 100% equity of Hua Ying Securities Co., Ltd.

Note (iii): On January 20, 2021, Guolian Global Capital Limited, a wholly-owned subsidiary of Guolian Securities International Co., Ltd., a wholly-owned subsidiary of Guolian Securities (H.K.) Co., Ltd, was established in the British Virgin Islands with a registered capital of US $1.

Note (iv): On January 20, 2021, Guolian Securities Global Investment SPC, a wholly-owned subsidiary of Guolian Global Capital Limited, a wholly-owned sub-subsidiary of Guolian Securities (H.K.) Co., Ltd, was established in the Cayman Islands, with a registered capital of USD$1.

24. Interests in associates

Set out below are the associates of the Group as at 31 December 2021. Investments in associates as listed below are held directly by the Company; the country of incorporation or registration is also their principal place of business.

Details of investments in associates as at 31 December 2021 and 31 December 2020

	Place of business/ incorporation	% of country of ownership interest		Nature of the relationship	Measurement method
		2021/12/31	2020/12/31		
Zhonghai Fund Management Co., Ltd.	China	33.41%	33.41%	Note (i)	Equity
Wuxi Guolian Lingxiang SME Investment Company (L.P.)	China	–	35.82%	Note (ii)	Equity

24. Interests in associates – continued

Details of investments in associates as at 31 December 2020 – continued

Note i: Zhonghai Fund Management Co., Ltd., invested by the Company, provides funds distribution, asset management and other services authorised by the CSRC.

Note ii: Wuxi Guolian Lingxiang SME investment Company (L.P.) has been disposed for the year ended December 31, 2021.

All the entities are private companies and there are no quoted market prices available for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

	2021 RMB'000	2020 RMB'000
Balance at beginning of the year	**104,903**	104,201
Share of profit	**2,255**	702
Proceeds of liquidation	**(4,237)**	–
Balance at end of the year	**102,921**	104,903

The results of the Group's principal associate, and its aggregated assets (including goodwill) and liabilities, are as follows:

	Zhonghai Fund Management Co., Ltd.	
	2021 RMB'000	2020 RMB'000
Total assets	**424,940**	361,698
Total liabilities	**100,201**	100,201
Net assets	**324,739**	319,603
Revenue	**182,582**	151,310
Profit/(loss) for the year	**5,135**	(3,649)
Total comprehensive income	**5,135**	(3,649)
Net assets of the associate attributable to the Group	**308,064**	301,314
The Group's share of net assets of the associate	**102,924**	100,666
Carrying amount in the consolidated financial statements	**102,924**	100,666

24. Interests in associates – continued

Reconciliation of the above consolidated financial statements to the carrying amount of the interests in the above associate recognised in the financial statements:

	Zhonghai Fund Management Co., Ltd.	
	2021/12/31	2020/12/31
	RMB'000	RMB'000
Equity attributable to equity holders of the associate	**308,064**	301,314
Proportion of equity interests held by the Group	**33.41%**	33.41%
Carrying Amount	**102,924**	100,666

The information of Wuxi Guolian Lingxiang SME Investment Company (L.P.) is as follows:

	Wuxi Guolian Lingxiang SME Investment Company (L.P.)	
	2021	2020
	RMB'000	RMB'000
Carrying amount of total assets	**–**	11,950
Carrying amount of net assets	**–**	11,791
Amounts of the Group's share thereon	**–**	4,237
Profit for the year	**–**	664
Amounts of the Group's share of profit for the year	**–**	238

25. Other non-current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Margin deposits of derivative contracts	–	294,769
Long-term prepaid assets	36,645	31,710
	36,645	326,479

Long-term prepaid assets:	2021 RMB'000	2020 RMB'000
Long-term prepaid assets:		
Balance at beginning of the year	31,710	42,232
Additions	20,252	7,454
Amortisation	(15,317)	(17,976)
Balance at end of the year	36,645	31,710

26. Financial assets held under resale agreements

Non-current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed by asset type:		
– Equity securities	280,570	25,050
Less: Impairment allowance	(226)	(212)
	280,344	24,838
Analysed by market:		
– Shanghai Stock Exchange	280,344	24,838
– Shenzhen Stock Exchange	–	–
	280,344	24,838
Current assets		
Analysed by asset type:		
– Equity securities	2,246,319	1,855,460
– Debt securities	598,505	2,422,598
Less: Impairment allowance	(167,034)	(175,377)
	2,677,790	4,102,681
Analysed by market:		
– Interbank market	198,022	152,902
– Shanghai Stock Exchange	525,000	2,466,228
– Shenzhen Stock Exchange	1,954,768	1,483,551
	2,677,790	4,102,681

26. Financial assets held under resale agreements – continued

The Group received equity securities and debt securities as collateral in connection with the purchase of assets under resale agreements. Certain of these collateral can be resold or re-pledged. As at 31 December 2021, there is no collateral accepted by the Group that can be resold or re-pledged for financial assets sold under repurchase agreements. (31 December 2020: Nil).

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	4,859	17,833	152,897	175,589
Changes in the loss allowance:				
– Transfer	–	–	–	–
– Charged to profit or loss	3,626	(10,668)	(1,287)	(8,329)
As at 31 December 2021	8,485	7,165	151,610	167,260

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	6,053	12,189	153,665	171,907
Changes in the loss allowance:				
– Transfer	–	–	–	–
– Charged to profit or loss	(1,194)	5,644	(768)	3,682
As at 31 December 2020	4,859	17,833	152,897	175,589

26. Financial assets held under resale agreements – continued

The tables below details the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December, 2021	**2,702,219**	**271,566**	**151,609**	**3,125,394**
As at 31 December, 2020	3,594,280	555,932	152,896	4,303,108

As at 31 December 2021, the gross carrying amount of the Group's financial assets held under resale agreements in stage 2 decreased, which led to the decrease of impairment loss of ECL.

27. Financial assets at fair value through profit or loss

Non-current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets mandatorily measured at fair value through profit or loss		
Investment in unlisted companies	**340,491**	140,675
Trust schemes	**228,306**	125,215
Collective asset management schemes and others	**135,090**	56,938
Total non-current assets	**703,887**	322,828
Analysed as:		
Unlisted	**703,887**	322,828

27. Financial assets at fair value through profit or loss – continued

Current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets mandatorily measured at fair value through profit or loss		
Debt securities	**16,755,143**	10,963,616
Equity securities	**798,107**	896,987
Investment funds	**2,251,115**	1,600,094
Asset backed securities	**311,655**	388,815
Trust schemes	**36,501**	37,249
Collective asset management schemes	**108,425**	369,905
Private equity funds	**6,015,966**	2,080,354
Commercial papers	**463,607**	–
Wealth management products	**265,685**	295,243
Total current assets	**27,006,204**	16,632,263
	27,710,091	16,955,091
Analysed as:		
Listed in Hong Kong	**89,681**	76,153
Listed outside Hong Kong	**4,778,287**	5,765,095
Unlisted	**22,138,236**	10,791,015
	27,006,204	16,632,263

As at 31 December 2021, financial assets at fair value through profit or loss collateralized for repurchase arrangements, securities lending, and margin and securities refinancing business amounted to RMB13,041,443 thousand (31 December 2020: RMB8,897,930 thousand), of RMB482,814 thousand(31 December 2020: RMB2,119,486 thousand) and RMB223,061 thousand(31 December 2020: RMB107,862 thousand), respectively.

As at 31 December 2021, the fair value of investment funds and trust schemes which was in the lock-up period and the fair value of interests in structured entities, of which the redemption was restricted due to the Group's participation in the schemes which were managed by the Group, was RMB302,826 thousand (31 December 2020: RMB56,938 thousand).

28. Equity instruments at fair value through other comprehensive income

Non-current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Equity securities (Note)	2,579,203	–
	2,579,203	–
Analysed as:		
Listed in Hong Kong	2,372,148	–
Listed outside Hong Kong	207,055	–
	2,579,203	–

Note: The above equity investments include common stocks of entities listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. These investments are not held for trading, but for long-term strategic purposes. The Group has chosen to designate these investments as equity instruments measured at fair value with changes included in other comprehensive income because they believe that the short-term fluctuations in the fair value of such investments recognised in profit or loss will be different from the Group's strategy of holding such investments for long-term purposes, so their performance potential will be recognised from a long-term perspective (31 December 2020: Nil).

As of 31 December 2021, equity instruments at fair value through other comprehensive income investments held by the Group have no realization restriction and there was no disposal for the period end 31 December 2021.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2021/12/31			2020/12/31		
	Nominal Value	Assets	Liabilities	Nominal Value	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Futures contracts[a]	**4,462,778**	**–**	**–**	2,078,896	–	–
Stock options	**2,795,686**	**17,961**	**(14,527)**	1,134,845	–	(243)
Commodity options	**42,125**	**682**	**(4,045)**	–	–	–
OTC options	**3,240,419**	**46,056**	**(83,683)**	6,601,628	24,419	(44,770)
Interest rate swaps	**5,730,000**	**–**	**(3,425)**	180,000	119	(523)
Return swaps	**14,866,209**	**420,342**	**(325,092)**	4,714,259	53,107	(71,048)
	31,137,217	**485,041**	**(430,772)**	14,709,628	77,645	(116,584)

Analysed for reporting purpose as:

	2021/12/31		2020/12/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Current	**413,450**	**(381,509)**	59,220	(94,983)
Non-current	**71,591**	**(49,263)**	18,425	(21,601)
	485,041	**(430,772)**	77,645	(116,584)

(a) Futures contracts

	2021/12/31		2020/12/31	
	Nominal value	Fair value	Nominal value	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Treasury futures	**3,332,234**	**(30,973)**	1,359,598	(901)
SIF	**1,088,183**	**2,767**	719,298	(3,383)
Interest rate futures	**31,550**	**(32)**	–	–
Commodity futures	**10,811**	**794**	–	–
Less: cash paid as settlement			(27,444)	(4,284)
Net position of future contracts			–	–

The future contracts of the Group represent treasury future contracts, commodity futures contracts, interest rate futures contracts and stock index futures contracts. The Group settles its gains or losses on treasury future contracts, commodity futures contracts, interest rate futures contracts and stock index futures ("SIF") position on a daily basis.

30. Debt instruments at fair value through other comprehensive income

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed by type of issuers:		
Government	**770,717**	304,383
Financial institutions	**2,221,443**	354,061
Corporate entities	**3,248,285**	1,019,593
	6,240,445	1,678,037
Analysed as:		
Listed outside Hong Kong	**1,374,348**	520,811
Unlisted	**4,866,097**	1,157,226
Expected credit losses	**37,824**	5,126

As at 31 December 2021, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB4,236,165 thousand (31 December 2020: 873,358 thousand), for bond lending was RMB266,348 thousand (31 December 2020: 8,684 thousand).

30. Debt instruments at fair value through other comprehensive income – continued

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	5,126	–	–	5,126
Changes in the loss allowance:				
– Charged to profit or loss	14,914	–	17,784	32,698
As at 31 December 2021	20,040	–	17,784	37,824

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	–	–	–	–
Changes in the loss allowance:				
– Charged to profit or loss	5,126	–	–	5,126
As at 31 December 2020	5,126	–	–	5,126

30. Debt instruments at fair value through other comprehensive income – continued

The table below details the credit risk exposures of the debt instruments at fair value through other comprehensive income, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December, 2021	**6,233,126**	**–**	**7,319**	**6,240,445**
As at 31 December, 2020	1,678,037	–	–	1,678,037

31. Deferred tax assets and liabilities

(1) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deferred tax assets	**24,551**	36,960
Deferred tax liabilities	**(90,876)**	–
	(66,325)	36,960

31. Deferred tax assets and liabilities – continued

(2) The gross movements in deferred tax assets and liabilities during the year are as follows:

	Impairment losses	Changes in fair value of financial assets/ liabilities at fair value through profit or loss	Changes in fair value of derivatives	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	45,199	(31,380)	–	–	–	23,167	36,986
Credit/(charge) to profit or loss	1,761	(33,088)	10,782	1,280	–	20,362	1,097
Charge to other comprehensive income	–	–	–	(1,123)	–	–	(1,123)
As at 31 December 2020	46,960	(64,468)	10,782	157	–	43,529	36,960
(Charge)/credit to profit or loss	(916)	(28,653)	(17,586)	8,175	–	4,877	(34,103)
Charge to other comprehensive income	–	–	–	(19,954)	(49,228)	–	(69,182)
As at 31 December 2021	46,044	(93,121)	(6,804)	(11,622)	(49,228)	48,406	(66,325)

32. Refundable deposits

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Deposits with Stock Exchanges		
– Shanghai Stock Exchange	85,600	114,645
– Shenzhen Stock Exchange	49,079	40,372
– China Beijing Equity Exchange	1,294	1,348
Deposits with futures brokers	191,326	80,272
	327,299	236,637

33. Other current assets

	2021/12/31 RMB'000	2020/12/31 RMB'000
Accounts receivable (Note i)	92,699	65,508
Prepaid expenses	16,024	14,132
Other receivables (Note ii)	27,654	12,124
Margin deposits of derivative contracts	364,866	599,269
Others	26,048	9,784
Less: Impairment allowance	(4,619)	(4,650)
	522,672	696,167

Note i: Accounts receivable

The aging analysis of accounts receivable based on the date of rendering services is as follows:

	2021/12/31		2020/12/31	
	Amount RMB'000	Impairment allowance RMB'000	Amount RMB'000	Impairment allowance RMB'000
Up to 1 year	88,088	38	59,870	104
1 to 2 years	1,050	638	5,638	–
More than 2 years	3,561	–	–	–
	92,699	676	65,508	104

In accordance with the requirements of IFRS 9, the Group adopts a simplified method to measure the expected credit loss for accounts receivable, that is, the Group always recognises lifetime ECL for accounts receivable. As at 31 December 2021, accounts receivable of the Group which are credit-impaired amount to RMB638 thousand, and the credit impairment allowance is 638 thousand (2020: accounts receivable of the Group were not credit-impaired). As at 31 December 2021, the credit risk exposure of accounts receivable amounted to RMB92,699 thousand (2020: RMB65,508 thousand).

33. Other current assets – continued

Note ii: Other receivables

Other receivables of the Group mainly include accounts in transit of issuing income certificates and refundable rental deposits.

The tables below details the credit risk exposures of the Group's other receivables, which are subject to ECL assessment.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	241	1,447	2,858	4,546
Changes in the loss allowance:				
– Transfer	(92)	92	–	–
– Charged to profit or loss	730	(319)	(1,014)	(603)
As at 31 December 2021	879	1,220	1,844	3,943

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	220	990	1,533	2,743
Changes in the loss allowance:				
– Transfer	(37)	(48)	85	–
– Charged to profit or loss	58	505	1,240	1,803
As at 31 December 2020	241	1,447	2,858	4,546

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December, 2021	19,708	6,102	1,844	27,654
As at 31 December, 2020	2,031	7,235	2,858	12,124

34. Margin accounts receivable

	2021/12/31 RMB'000	2020/12/31 RMB'000
Margin accounts receivable	10,804,311	8,420,779
Less: Impairment allowance	(12,972)	(7,713)
	10,791,339	8,413,066

Margin accounts are the funds the Group lends to the customers in margin financing and securities lending business. As at 31 December 2021, impairment allowance amounting to RMB12,972 thousand was provided (31 December 2020: RMB7,713 thousand).

Margin accounts receivable as at 31 December 2021 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB34,261,645 thousand (31 December 2020: RMB23,997,308 thousand).

The following tables show reconciliation of loss allowances that has been recognised for margin accounts receivable.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	5,412	2,301	–	7,713
Changes in the loss allowance:				
– Transfer	398	(398)	–	–
– Charged to profit or loss	4,937	322	–	5,259
As at 31 December 2021	10,747	2,225	–	12,972

34. Margin accounts receivable – continued

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit-impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020	3,596	2,549	–	6,145
Changes in the loss allowance:				
– Transfer	255	(255)	–	–
– Charged to profit or loss	1,561	7	–	1,568
As at 31 December 2020	5,412	2,301	–	7,713

The tables below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	**Stage 2 Lifetime ECL (not credit-impaired) RMB'000**	**Stage 3 Lifetime ECL (credit-impaired) RMB'000**	**Total RMB'000**
As at 31 December, 2021	**10,546,270**	**258,041**	**–**	**10,804,311**
As at 31 December, 2020	7,888,888	531,891	–	8,420,779

As at 31 December 2021, the gross carrying amount of the Group's margin accounts receivable in stage 1 increased, and the amount of the loss allowances increased as well.

35. Clearing settlement funds

	2021/12/31 RMB'000	2020/12/31 RMB'000
Clearing settlement funds held for clients	**2,358,282**	1,813,038
Proprietary clearing settlement funds	**909,836**	698,568
	3,268,118	2,511,606

36. Cash held for brokerage clients

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognises them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC regulations.

37. Cash and bank balances

	2021/12/31 RMB'000	2020/12/31 RMB'000
Cash	**2**	15
Bank balances	**2,001,431**	3,281,351
Total	**2,001,433**	3,281,366

38. Share capital

All shares issued by the Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Company's share capital are as follows:

	Domestic Shares		H Shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid at RMB1.0 per share:						
At 1 January 2020 and 31 December 2020	1,935,479	1,935,479	442,640	442,640	2,378,119	2,378,119
Issuance of A shares	453,654	453,654	–	–	453,654	453,654
31 December 2021	2,389,133	2,389,133	442,640	442,640	2,831,773	2,831,773

On 15 October 2021, the Company completed its non-public offering of 453,654 thousand A shares with RMB11.22 per share.

The excess of RMB4,636,346 thousand over the par value of RMB453,654 thousand for the 453,654 thousand ordinary shares issued, net of the relevant incremental costs of RMB107,012 directly contributed to the newly issued shares of the Group, was credited to "share premium".

39. Share premium and reserves

	Share premium	Surplus reserve[1]	General risk reserve[2]	Transaction risk reserve[2]	Revaluation reserve	Translation reserve	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,178,478	548,961	706,829	666,696	–	–	(14,817)	4,086,147
Issue of new shares	1,481,233	–	–	–	–	–	–	1,481,233
Appropriation to surplus reserve	–	56,792	–	–	–	–	–	56,792
Appropriation to general risk reserve	–	–	58,359	–	–	–	–	58,359
Appropriation to transaction risk reserve	–	–	–	56,792	–	–	–	56,792
Debt instruments at FVTOCI								
– Net fair value changes during the year	–	–	–	–	(472)	–	–	(472)
– Impairment loss for ECL	–	–	–	–	3,844	–	–	3,844
Translation differences	–	–	–	–	–	(21,351)	–	(21,351)
As at 31 December 2020	3,659,711	605,753	765,188	723,488	3,372	(21,351)	(14,817)	5,721,344
As at 1 January 2021	3,659,711	605,753	765,188	723,488	3,372	(21,351)	(14,817)	5,721,344
Issue of new shares	4,529,334	–	–	–	–	–	–	4,529,334
Appropriation to surplus reserve	–	71,172	–	–	–	–	–	71,172
Appropriation to general risk reserve	–	–	72,098	–	–	–	–	72,098
Appropriation to transaction risk reserve	–	–	–	71,172	–	–	–	71,172
Debt instruments at FVTOCI								
– Net fair value changes during the year	–	–	–	–	35,339	–	–	35,339
– Impairment loss for ECL	–	–	–	–	24,524	–	–	24,524
Equity instruments at FVTOCI	–	–	–	–	–	(21,351)	–	(21,351)
– Net fair value changes during the year	–	–	–	–	147,685	–	–	147,685
Translation differences	–	–	–	–	–	(6,903)	–	(6,903)
As at 31 December 2021	**8,189,045**	**676,925**	**837,286**	**794,660**	**210,920**	**(28,254)**	**(14,817)**	**10,665,765**

(1) Surplus reserve

Pursuant to the Company Law of the PRC, the Company's Articles of Association and resolutions of the Board, the Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Company, provided that the balance of the statutory surplus reserve after such capitalization is not less than 25% of the registered capital immediately before capitalization.

(2) General risk reserve and transaction risk reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Company appropriates 10% of its profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Company appropriates 10% from its profit to the transaction risk reserve and cannot be distributed or transferred to share capital.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities and interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised, the Company appropriates 10% from its management fee income from the collective asset management schemes to the general risk reserve since November 2018.

40. Bonds in issue

	2021/12/31 RMB'000	2020/12/31 RMB'000
Current		
Corporate bonds with fixed rate – 2022[a]	1,500,000	–
Corporate bonds with fixed rate – 2022[b]	1,000,000	–
Subordinated bonds with fixed rate – 2021[c]	–	1,500,000
Subordinated bonds with fixed rate – 2022[d]	800,000	–
Subordinated bonds with fixed rate – 2022[e]	1,000,000	–
Income certificates[f]	90,000	1,760,000
Short term corporate bonds[g]	2,000,000	1,000,000
Short term financing bonds[h]	–	2,000,000
Interest payable	345,631	219,759
	6,735,631	6,479,759
Non-Current		
Corporate bonds with fixed rate – 2022[a]	–	1,500,000
Corporate bonds with fixed rate – 2022[b]	–	1,000,000
Corporate bonds with fixed rate – 2023[i]	800,000	800,000
Corporate bonds with fixed rate – 2023[j]	1,500,000	1,500,000
Corporate bonds with fixed rate – 2024[k]	997,907	–
Corporate bonds with fixed rate – 2024[l]	1,498,879	–
Corporate bonds with fixed rate – 2023[m]	1,500,000	–
Corporate bonds with fixed rate – 2024[n]	1,000,000	–
Corporate bonds with fixed rate – 2024[o]	1,000,000	–
Corporate bonds with fixed rate – 2023[p]	1,000,000	–
Corporate bonds with fixed rate – 2024[q]	1,500,000	–
Subordinated bonds with fixed rate – 2022[d]	–	800,000
Subordinated bonds with fixed rate – 2023[r]	700,000	700,000
Subordinated bonds with fixed rate – 2022[e]	–	1,000,000
	11,496,786	7,300,000
	18,232,417	13,779,759

(a) On 15 April 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 2.88% paid annually.

(b) On 15 October 2020, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.07% paid annually.

40. Bonds in issue – continued

(c) On 29 July 2016, the Company issued RMB1,500,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 5 years and a fixed coupon rate of 3.89% paid annually.

(d) On 27 March 2019, the Company issued RMB800,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.74% paid annually.

(e) On 26 November 2020, the Company issued RMB1,000,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 4.70% paid annually.

(f) As at 31 December 2021, income certificates were with a maturity of 62 days to 185 days and bore interest rates ranging from 2.70% to 3.00% per annum paid at maturity. (As at 31 December 2020, the income certificates were with a maturity of 90 days to 365 days and bore interest rates ranging from 3.60% to 4.00% per annum paid at maturity.)

(g) As at 31 December 2021, short term corporate bonds were with a maturity of 309 days to 339 days and bore interest rates from 2.75% to 3.10% per annum paid at maturity. (As at 31 December 2020, short term corporate bonds were with a maturity of 365 days and bore interest rates ranging of 3.35% per annum paid at maturity.)

(h) As at 31 December 2021, there is no short term financing bonds. (As at 31 December 2020, short term financing bonds were with a maturity of 66 days to 88 days and bore interest rates ranging from 3.15% to 3.20% per annum paid at maturity.)

(i) On 16 January 2020, the Company issued RMB800,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.13% paid annually.

(j) On 11 March 2020, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.60% paid annually.

(k) On 15 March 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.70% paid annually.

(l) On 12 May 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.59% paid annually.

(m) On 7 June 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.27% paid annually.

(n) On 28 June 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.65% paid annually.

(o) On 30 August 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.29% paid annually.

(p) On 22 September 2021, the Company issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 3.40% paid annually.

(q) On 22 November 2021, the Company issued RMB1,500,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 3.50% paid annually.

(r) On 5 March 2020, the Company issued RMB700,000 thousand of subordinated bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.25% paid annually.

41. Other non-current liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Margin deposits of derivative contracts	1,425,330	352,892

42. Lease liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Lease liabilities payable:		
Within one year	71,090	57,564
Within a period of more than one year but not more than two years	58,464	47,898
Within a period of more than two years but not more than five years	36,327	59,739
Within a period of more than five years	913	10,442
	166,794	175,643
Less: Amount due for settlement with 12 months shown under current liabilities	(71,090)	(57,564)
Amount due for settlement after 12 months shown under non-current liabilities	95,704	118,079

43. Other current liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Salaries, bonus, allowances and benefits payable (Note 44)	584,244	338,242
Accounts payable	474,256	378,890
Other taxes payable	54,591	22,387
Securities investor protection fund	29,511	5,324
Provisions (Note 53)	1,869	1,869
Margin deposits of derivative contracts	1,529,209	1,139,607
Deferred income	6,314	–
Others	161,239	42,528
	2,841,233	1,928,847

44. Payroll and welfare

	1 January 2021 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2021 RMB'000
Salaries and bonus	337,055	1,055,309	819,066	573,298
Pension	697	113,954	104,481	10,170
Other social security	482	65,424	65,135	771
Other welfare	–	22,520	22,520	–
Labour union funds and employee education funds	8	7,739	7,742	5
Termination benefits	–	4,327	4,327	–
	338,242	1,269,273	1,023,271	584,244

	1 January 2020 RMB'000	Current year charge RMB'000	Current year payment RMB'000	31 December 2020 RMB'000
Salaries and bonus	258,045	603,235	524,225	337,055
Pension	584	34,318	34,205	697
Other social security	438	43,790	43,746	482
Other welfare	–	12,699	12,699	–
Labour union funds and employee education funds	7	6,397	6,396	8
	259,074	700,439	621,271	338,242

The Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. Namely, the Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

In addition, the Group provides relevant defined contribution plan for its qualified employees outside of Mainland China in accordance with local labour laws.

The Group did not forfeit any retirement benefit plan contributions, and there are no forfeited contributions under the Group's retirement benefit plans that can be used to deduct the contributions payable in future years.

45. Short-term borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Unsecured bank borrowings (note)	38,268	–
	38,268	–

Note : The unsecured bank borrowing bear a floating rate of 3 month LIBOR plus 3.65% per annum and no less than 3.8% per annum and is repayable within one year.

46. Contract liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Investment banking service fees received in advance	3,241	6,069
Investment management service fees received in advance	8,626	3,243
	11,867	9,312

47. Due to other financial institutions

	2021/12/31 RMB'000	2020/12/31 RMB'000
Due to banks	400,175	–
Due to China Securities Finance Corporation Limited	450,140	300,070
	850,315	300,070

48. Financial assets sold under repurchase agreements

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed by asset type		
– Debt securities	**11,328,535**	7,223,751
– Funds	**1,238,109**	1,483,944
– Commercial papers	**229,366**	–
	12,796,010	8,707,695

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed by market		
– Interbank market	**8,450,183**	6,226,610
– Shanghai Stock Exchange	**3,975,515**	2,481,085
– Others	**370,312**	–
	12,796,010	8,707,695

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed by transaction type:		
– Pledged	**12,655,065**	8,707,695
– Outright	**140,945**	–
	12,796,010	8,707,695

48. Financial assets sold under repurchase agreements – continued

As at 31 December 2021 and 2020, the fair value of the financial assets that had been placed as financial assets sold under repurchase agreements of the Group were listed as below:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Debt securities	17,053,938	9,771,288
Commercial papers	223,670	–
	17,277,608	9,771,288

49. Financial liabilities at fair value through profit or loss

	2021/12/31 RMB'000	2020/12/31 RMB'000
Interests of other holders in consolidated SEs (Note1)	458,145	587,293
Income certificates with variable interests (Note2)	971,561	311,989
	1,429,706	899,282
Analysed for reporting purpose as:		
Non-current liabilities	537,017	71,994
Current liabilities	892,689	827,288
	1,429,706	899,282

Note1: Interests of other holders in consolidated structured entities consist of third-party unit holders' interests in these consolidated structured entities. The Group designates these financial liabilities as financial liabilities at fair value through profit or loss because the financial assets of the consolidated structured entities are mainly measured on a fair value basis, the designation can significantly reduce a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Note2: It refers to Guolian Shengxin and Guolian Hengxin series of income certificates with variable interests issued by the Group. The series of income certificates are linked to the contracts of CSI 500 and CSI 300, etc. The Group designates the above embedded derivatives and the main contract of income certificate as financial liabilities measured at fair value.

50. Accounts payable to brokerage clients

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Group, and are interest bearing at the prevailing market interest rates. The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at 31 December 2021, cash collateral received from clients for margin financing and securities lending arrangements amounted to RMB1,198,646 thousand (31 December 2020: RMB1,081,180 thousand), and are included in the Group's accounts payable to brokerage clients.

51. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include amounts that can be used to meet short-term cash commitments.

	2021/12/31 RMB'000	2020/12/31 RMB'000
Cash	2	15
Bank balances (Note)	887,684	3,279,575
Proprietary clearing settlement funds	909,836	698,566
Cash equivalents		
– Financial assets held under resale agreements with original maturity less than 3 months	597,567	2,420,691
	2,395,089	6,398,847

Note: Bank balances do not include interest receivable from deposits and are all with original maturity of three months or less.

52. Transfer of financial assets

In the normal course of business, the Group enters into certain transactions in which it transfers recognised financial assets to third parties or customers. If these transfers qualify for derecognition, the Group derecognises all or part of the financial assets where appropriate. If the Group has retained substantially all the risks and rewards on these assets, the Group continues to recognise these assets.

(1) Securities lending

Transferred financial assets that do not qualify for derecognition include securities lent to clients for them to sell, for which the clients are required to provide collateral that could fully cover the credit exposure of the securities lent, and have the obligation to return the securities to the Group in accordance with the contracts. In certain circumstances, if the securities increase or decrease in value, the Group may require additional collateral from the clients or have to return part of the collateral it holds to the clients. In these instances, the Group believes that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them.

As at 31 December 2021, the Group's financial assets at FVTPL used for securities lending amounted to RMB83,842 thousand (31 December 2020: RMB61,482 thousand).

52. Transfer of financial assets – continued

(2) Repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retain substantially all the risks and rewards of these securities.

The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangements.

The following table analyses the carrying amount of the above mentioned financial assets transferred to the third parties or customers that did not qualify for derecognition and their associated financial liabilities:

	31/12/2021		31/12/2020	
	Carrying amount of transferred assets	**Carrying amount of related liabilities**	Carrying amount of transferred assets	Carrying amount of related liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Bonds	**17,053,938**	**(12,796,010)**	9,771,288	(8,707,695)
Commercial papers	**223,670**		–	
	17,277,608	**(12,796,010)**	9,771,288	(8,707,695)

53. Commitments and contingent liabilities

(1) Capital commitments

As at 31 December 2021, the Group was not involved in any material capital commitments (31 December 2020: the same).

(2) Legal proceedings

On 20 September 2019, the Company received a notice of response to a lawsuit filed by a client in Wuxi Intermediate People's Court of Jiangsu Province against the Company over the dispute over securities pledged repurchase transaction, claiming that the Company should refund the overcharged amount and losses totaling RMB55,517 thousand to a third-party. On 15 April 2020, the Wuxi Intermediate People's Court issued a civil ruling which rejected this lawsuit. The client filed an appeal on 29 May 2020, and the case is currently under trial. The Company has recognised provisions of RMB1,869 thousand in respect of the above case as at 31 December 2021 (31 December 2020: RMB1,869 thousand).

(3) Guarantee for overseas subsidiaries

The Board Meeting of the Company held on 24 August 2021 approved the proposal on providing guarantee for Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries with a total amount of no more than US $100 million, which will be effective within 24 months from the date of approval by the Board of Directors. As at 31 December 2021, no guarantee was utilized by Guolian securities (Hong Kong) Co., Ltd. and its wholly-owned subsidiaries.

54. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds in issue RMB'000	Borrowings RMB'000	Lease Liabilities RMB'000	Dividend Payable RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2020	6,455,028	–	172,650	–	–	6,627,678
Financing cash flows						
– Additional bonds in issue	17,424,108	–	–	–	309,950	17,734,058
– Repayment of bonds in issue	(10,164,108)	–	–	–	–	(10,164,108)
– Repayment of principal of lease liabilities	–	–	(79,270)	–	–	(79,270)
– Interest paid	(305,819)	–	(4,906)	–	–	(310,725)
Non-cash changes						
– Interest expenses	370,550	–	7,332	–	–	377,882
– New leases	–	–	79,837	–	–	79,837
– Changes of fair value	–	–	–	–	2,039	2,039
At 31 December 2020	13,779,759	–	175,643	–	311,989	14,267,391
At 1 January 2021	13,779,759	–	175,643	–	311,989	14,267,391
Financing cash flows						
– Dividend paid	–	–	–	(285,374)	–	(285,374)
– Additional short-term borrowings	–	38,268	–	–	–	38,268
– Additional bonds in issue	13,050,755	–	–	–	2,269,848	15,320,603
– Repayment of bonds in issue	(8,725,000)	–	–	–	(1,623,031)	(10,348,031)
– Repayment of principal of lease liabilities	–	–	(75,080)	–	–	(75,080)
– Interest paid	(451,165)	–	(6,674)	–	–	(457,839)
Non-cash changes						
– Dividend declared	–	–	–	285,374	–	285,374
– Additional bonds in issue	–	–	–	–	12,375	12,375
– Interest expenses	578,068	–	7,801	–	–	585,869
– New leases	–	–	65,104	–	–	65,104
– Changes of fair value	–	–	–	–	380	380
At 31 December 2021	18,232,417	38,268	166,794	–	971,561	19,409,040

55. Related party transactions

55.1 Transactions and balances with the Company's controlling shareholder – Guolian Group

Wuxi Guolian Development (Group) Co., Ltd. (collectively referred to as "Guolian Group" together with its subsidiaries) is a wholly state-owned company established in the PRC with a registered capital of RMB8,391,110 thousand. As at 31 December 2021, Guolian Group directly held 19.21 % of the equity interest in the Company. In addition, Guolian Group also indirectly held equity interest in Company through its subsidiaries of Guolian Trust Co., Ltd. ("Guolian Trust"), Wuxi Guolian Municipal Electric Power Company ("Wuxi Electric"), Wuxi Yi Mian Textile Group Co., Ltd. ("Yi Mian Textile"),Wuxi Min Sheng Investment Co., Ltd. ("Min Sheng Investment") and Wuxi Huaguang Environment & Energy Group Co., Ltd. ("Wuxi Huaguang").

Guolian Trust is the subsidiary of Guolian Group who directly or indirectly held 91.87% of the equity interest. As at 31 December 2021, Guolian Trust held 13.78% of the equity interest in the Company.

Wuxi Electric is an indirect wholly-owned subsidiary of Guolian Group. As at 31 December 2021, Wuxi Electric held 9.42% of the equity interest in the Company.

Yi Mian Textile is a direct wholly-owned subsidiary of Guolian Group. As at 31 December 2021, Yi Mian Textile held 2.57% of the equity interest in the Company.

Min Sheng Investment is an indirect wholly-owned subsidiary of Guolian Group. As at 31 December 2021, Min Sheng Investment held 2.60% of the equity interest in the Company.

Wuxi Huaguang is the subsidiary of Guolian Group who directly held 72.15% of the equity interest. As at 31 December 2021, Wuxi Huaguang held 1.03% of the equity interest in the Company.

55. Related party transactions – continued

55.1 Transactions and balances with the Company's controlling shareholder – Guolian Group – continued

Transactions during the year

	2021/12/31 RMB'000	2020/12/31 RMB'000
Income from providing securities brokerage services	–	1
Income from providing asset management services	–	69
Income from providing bond underwriting services	849	3,962

Balances at the end of the year

	2021/12/31 RMB'000	2020/12/31 RMB'000
Cash held for brokerage clients	<1	5

55. Related party transactions – continued

55.2 Other major related party transactions and balances

The table below lists the Group's other significant related parties as at 31 December 2021.

Significant related legal entities	The relationship with the Group
Guolian Futures	Fellow subsidiary
Wuxi Guolian Xincheng Investment Co., Ltd. ("Guolian Xincheng")	Fellow subsidiary
Wuxi Guolian Property Management Co., Ltd. ("Guolian Property Management")	Fellow subsidiary
Jiangsu Asset Management Co., Ltd.	Fellow subsidiary
Wuxi Guolian Industrial Investment Group Co., Ltd. ("Guolian Industrial Investment")	Fellow subsidiary
Wuxi Equity Exchange Co., Ltd.	Fellow subsidiary
Wuxi Taigong Sanatorium Co., Ltd. ("Taigong Sanatorium ")	Fellow subsidiary
Wuxi Corporation Credit Investigation Co.,Ltd. ("Corporation Credit Investigation")	Fellow subsidiary
Jiangsu Lianjia Asset Management Co.,Ltd. ("Lianjia Asset Management")	Fellow subsidiary
Wuxi Union Financing Guarantee Co.,Ltd. ("Union Financing Guarantee")	Fellow subsidiary
Guolian Finance Co., Ltd	Fellow subsidiary
Guolian Life Insurance Co., Ltd.	Associate invested by the controlling shareholder of the Company
Wuxi Sunan International Airport Co., Ltd. ("Sunan International Airport")	Associate invested by the controlling shareholder of the Company
Wuxi Guolian Xinchuang Private Investment Fund Co., Ltd. ("Guolian Xinchuang")	Associate invested by the controlling shareholder of the Company
Wuxi Micro Nano Industry Development Co., Ltd. ("Micro Nano")	Associate invested by the controlling shareholder of the Company
Wuxi Rural Commercial Bank ("WRCB")	The director of the Company acts as a director of WRCB
Wuxi Guofa Capital Operation Co., Ltd. ("Guofa Capital")	The director of the Company acted as a director of Guofa Capital
China Asset Management Co., Ltd ("China AMC")(Note)	The director of the Company acted as a director of China AMC

Note: Mr Ge Xiaobo has been appointed as the director of the Company since 13 June 2019. Mr Ge acted as director of China AMC and resigned on 28 June 2019, therefore China AMC was deemed as the related party of the Company from 13 June 2019 to 27 June 2020.

55. Related party transactions – continued

55.2 Other major related party transactions and balances – continued

Transactions during the year

	2021/12/31 RMB'000	2020/12/31 RMB'000
Income from providing securities brokerage services		
– Guolian Trust	6,790	106
– Zhonghai Fund Management Co., Ltd.	1,706	3,354
– Guolian Futures	778	671
– Guolian Industrial Investment	–	153
– China AMC.	–	3,020
– Guolian Life Insurance Co., Ltd.	90	33
– Others	1,064	1038
Income from providing bond underwriting services		
– Jiangsu Asset Management Co., Ltd.	1,415	7,925
Income from providing financial advisory services		
– Wuxi Huaguang	–	278
– Guolian Trust	1,322	3,308
– Sunan International Airport	–	47
– Union Financing Guarantee	283	–
Income from providing asset management services		
– Jiangsu Asset Management Co., Ltd.	2,115	3,775
– Guolian Life Insurance Co., Ltd.	576	192
– Taigong Sanatorium	30	37
– Guolian Futures	164	75
– WRCB	195	–
– Lianjia Asset Management	278	–
– Others	229	74
Income from providing investment advisory services		
– Jiangsu Asset Management Co., Ltd.	666	–
– Guolian Trust	182	–
– Guolian Futures	1,887	–
– Guolian Xinchuang	943	–
– WRCB	520	–
– Others	130	–
Expense for receiving futures investment advisory services		
– Guolian Futures	1,132	–
Investment losses		
– Others	46	–
Rental income		
– Guolian Life Insurance Co., Ltd.	439	439
– Guolian Futures	682	893
Rental expense		
– Jiangsu Asset Management Co., Ltd.	1,178	1,178
– Others	311	–

55. Related party transactions – continued

55.2 Other major related party transactions and balances – continued

Transactions during the year

	2021/12/31 RMB'000	2020/12/31 RMB'000
Interest expense on due to other financial institutions		
– Guolian Finance Co., Ltd	47	–
Interest expense on financial assets sold under repurchase agreements		
– Guofa Capital	446	–
– Others	16	–
Interest expense of lease liabilities		
– Guolian Xincheng	1,248	1,713
– Guolian Life Insurance Co., Ltd.	181	562
Expense for receiving services		
– Guolian Property Management	7,070	4,639
– Guolian Life Insurance Co., Ltd.	1,007	782
– Guolian Xincheng	622	–
– Guolian Futures	328	248
– Taigong Sanatorium	2,179	4
– Others	299	140

55. Related party transactions – continued

55.2 Other major related party transactions and balances – continued

Balances at the end of the year

	2021/12/31 RMB'000	2020/12/31 RMB'000
Accounts payable		
– Guolian Futures	30	80
– Guolian Life Insurance Co., Ltd.	50	50
Lease liabilities		
– Guolian Xincheng	21,500	31,375
– Guolian Life Insurance Co., Ltd.	1,849	9,813
Contract liabilities		
– Jiangsu Asset Management Co., Ltd.	–	1,009
Other receivable		
– Guolian Xincheng	479	479
– Guolian Property Management	180	180
– Micro Nano	271	–
Clearing settlement funds		
– Guolian Futures	43,666	66,797
Refundable deposits		
– Guolian Futures	18,351	4,878
Financial assets sold under repurchase agreements		
– Corporation Credit Investigation	1,061	–
– Guofa Capital	7,349	–
Cash held for brokerage clients		
– Guolian Trust	80	66
– Zhonghai Fund Management Co., Ltd.	<1	<1
– Others	76,727	17,263

55. Related party transactions – continued

55.2 Other major related party transactions and balances – continued

As at 31 December 2021, the Group did not hold any share issued by related parties or any wealth management products issued by related parties. (2020: the Group did not hold any share issued by related parties or any wealth management products issued by related parties).

For the year ended 2021, the Group did not have bond transactions with China AMC. (2020: the Group's bond transactions with China AMC amounted to RMB138,889 thousand).

For the year ended 2021, the product managed by WRCB held the subordinated bonds issued by the Group amounted to RMB50,000 thousand (2020: the product managed by WRCB subscribed the subordinated bonds issued by the Group, amounted to RMB50,000 thousand).

55.3 Key management personnel

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.

	2021/12/31 RMB'000	2020/12/31 RMB'000
Short term employee benefits	32,599	26,818
Post-employment benefits	1,561	808
	34,160	27,626

56. Financial risk management

56.1 Summary

The Group's risk management objective is to establish a sound risk management system and effective management mechanism to ensure that the risk is controlled under a tolerable level, achieve a sustainable development and reduce the uncertainty of achieving business plans.

Based on the risk management objective, the Group's risk management strategy is to identify and analyse various risks faced by the Group, establish an appropriate risk tolerance bottom line for risk management and measure, monitor, report and respond to various risks in a timely and reliable manner to control risks within the limits set by the Group.

The risks involved in the daily operations of the Group mainly include credit risk, market risk and liquidity risk. The Group has established policies and procedures to identify and analyse these risks, and to set appropriate indicators, limits, policies and internal control processes to manage these risks through continuous monitoring by information systems.

The Company has formulated the "Basic Principle for Comprehensive Risk Management of of Guolian Securities Co., Ltd.", which specifies the Company's risk management objectives, principles, organizational structure, authorization system, related responsibilities and relevant procedures, etc.; and has formulated the "Liquidity Risk Management Measures of Guolian Securities Co., Ltd. ", "Liquidity Risk Contingency Plan of Guolian Securities Co., Ltd.", " Market Risk Management Measures of Guolian Securities Co., Ltd.", "Credit Risk Management Measures of Guolian Securities Co., Ltd.", and " Operational Risk Management Measures of Guolian Securities Co., Ltd." for different types of risks, which standardised the methods and processes for the identification, response and reporting of various risks, to ensure the Company achieves the risk management goal of "measurable, controllable and tolerable".

The Company has established a comprehensive and multi-level risk management system including the Board of Directors and risk control committee, senior management and risk management committees, risk management departments and other risk management-related functional departments, and risk management organizations set within departments. The Company's Board of Directors takes the ultimate responsibility for the Company's risk management and authorizes the risk control committee to fulfil its partial functions regarding comprehensive risk management; the Company's management assumes the responsibility for organizing and implementing comprehensive risk management tasks in business management, and authorizes the Chief Risk Officer being responsible for leading and organizing the overall risk management work; the Company's risk management departments includes the Risk Management Department and other risk management functional departments. The risk management departments are responsible for establishment of the Company's risk management system, identifying and evaluating the risks faced by the Company's business activities, carrying out daily risk monitoring, inspection and evaluation, and raising recommendation and improving the Company's risk management system. The Risk Management Department supervises, evaluates and reports on the relevant work of the risk management functional departments and shall be responsible to the Chief Risk Officer for risk management; the Company's business departments and risk management organizations within its branches are responsible for the specific implementation of risk management.

56. Financial risk management – continued

56.2 Credit risk

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating.

The Group's credit risks mainly come from risk of default by the counterparty in fixed-income investment business, margin finance business including margin accounts receivable, equity securities held under resale agreements, and OTC derivative business and etc.

In terms of the fixed-income investment business, the Company has established a pool of target bonds, conducted necessary due diligence and provided internal ratings for the bonds that will be traded or used in spot transactions, repurchase transactions, forwards, and lending transactions. The Company established multi-level mechanism of internal approval. For the pool of target bonds, the Company has established the tracking mechanism on a regular or irregular basis, to continuously track changes in credit status. Meanwhile, the Company has established a credit risk indicator system such as concentration of single issuer, industry concentration and etc.

In terms of the financing business, the Company has established a strict layered review and evaluation mechanism, and formed a multi-level approval and authorization mechanism. The Company assesses the credit standing of the borrower by analysing the shareholder's background, operating conditions, and financial status. As for the evaluation of the collateral to be pledged, the quality of the collateral is analysed through a combination of qualitative and quantitative methods, and based on its liquidity index, market performance and other indicators that can be quantitatively measured. The Company has established a multi-dimensional financing business indicator system, including concentration indicators, loan-to-collateral ratio, early warning of closing position, ceilings of pledge ratio, and facility limit, etc., and manages credit risk exposure through timely mark-to-market method.

In terms of the credit risk of counterparties, the Company has developed rating criteria for counterparties and established a counterparty white list to manage counterparties' facility and limit according to their risk levels. The Company regularly, annually at least, updates the white list of counterparties, and adjusts the ratings of counterparties with consideration of any negative public media reports. In addition, the Company manages the credit risk exposures by means of mark-to-market, margin call or forced liquidation.

The credit risk of the Group also comes from the securities business. If the customer fails to deposit sufficient funds for trading, the Group may need to use its own funds to complete the settlement of the transactions. The Group requires customers to deposit the funds required for transactions in full before settlement to reduce related credit risks.

56. Financial risk management – continued

56.2 Credit risk – continued

56.2.1 Expected credit loss

The Group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The Group has used the "3 Stage" ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition.

- An asset is classified as Stage 1 where there has been low risk of default or has not been a significant increase in credit risk. The Group will continuously monitor its credit risk.

- An asset is classified as Stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as a credit impaired instrument.

- An asset is classified as Stage 3 when it is credit impaired.

- The impairment loss for financial instruments in Stage 1 is expected credit losses for the next 12 months, which corresponds to the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In the Stage 2 or 3, the expected credit losses of financial instruments are measured for the entire life time.

- Purchased or originated credit impaired financial assets refer to those with credit impairment since initial recognition. The impairment allowances of these assets are measured as the expected credit loss for the entire life time.

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

56. Financial risk management – continued

56.2 Credit risk – continued

56.2.1 Expected credit loss – continued

For the factors the Group considers whether there have been significant increase in credit risk, please refer to Note 3. In particular, for margin accounts receivable and financial assets held under resale agreement, the Group generally believes that when the loan-to-collateral ratio reaches the warning line, the credit risk increases significantly and the relevant asset needs to be transferred to Stage 2, and when the coverage ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to Stage 3.

The Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risks.

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life time.

- LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

During the year ended 31 December 2021, no significant changes were made in the techniques of estimation or key assumptions.

56. Financial risk management – continued

56.2 Credit risk – continued

56.2.1 Expected credit loss – continued

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Group believes that these projections reflect the best estimates of the Group on the possible results.

For the year ended 31 December 2021, the important macroeconomic assumptions used by the Group in the forward-looking model include the cumulative growth rate of GDP at constant price, the growth rate of the consumer price index, and the growth rate of the factory price index of industrial products. Among which:

- Cumulative growth rate of GDP at constant price: the forecast rate at the year end of 2021 ranges between 2.62% and 10.27%;
- Growth rate of the consumer price index: the forecast rate at the year end of 2021 ranges between 0.52% and 4.02%;
- Growth rate of factory price index of industrial products: the forecast rate at the year end of 2021 ranges from –4.00% to 8.08%.

56. Financial risk management – continued

56.2 Credit risk – continued

56.2.1 Expected credit loss – continued

For the year ended 31 December 2021, the macroeconomic forward-looking adjustment factors used by the Group in the evaluation of the expected credit loss measurement model have considered the impact of COVID-19 epidemic and the instability of the international economic situation on the domestic macro economy. To be prudent, the Group has determined a higher weight for the neutral scenario, and the second is pessimistic scenario. Assuming that the weight of pessimistic scenario is reduced by 10% and the weight of benchmark scenario increased by 10%, the Group's credit impairment provision will be reduced by RMB1,586 thousand.

The Group has classified exposures with similar risk characteristics when calculating expected credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

56.2.2 Maximum credit risk exposure

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Group is as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Refundable deposits	**327,299**	236,637
Other assets	**480,599**	967,020
Margin accounts receivable	**10,791,339**	8,413,066
Financial assets held under resale agreements	**2,958,134**	4,127,519
Financial assets at FVTPL		
– Debt securities	**16,755,143**	10,963,616
– Asset backed securities	**311,655**	388,815
– Commercial papers	**463,607**	–
Debt instrument at FVTOCI	**6,240,445**	1,678,037
Derivative financial assets	**485,041**	77,644
Clearing settlement funds	**3,268,118**	2,511,606
Cash held for brokerage clients	**8,572,113**	7,449,016
Cash and bank balances	**2,001,433**	3,281,366
	52,654,926	40,094,342

56. Financial risk management – continued

56.2 Credit risk – continued

56.2.3 Credit rating of debt investments

The Group monitors the credit risk profile of the debt securities portfolio held based on credit ratings, which are obtained from major rating agencies in the PRC where debt issuers are located.

	Debt instruments at FVTOCI	Financial assets at FVTPL
	RMB'000	RMB'000
31 December 2021		
Issuers in Mainland China		
AAA	**295,906**	**1,882,048**
AA– to AA+	**234,745**	**2,458,831**
A-1	**–**	**80,917**
B	**–**	**9,654**
C	**–**	**72,482**
Unrated	**5,709,794**	**12,229,533**
Sub-total	**6,240,445**	**16,733,465**
Issuers in Hong Kong and other regions		
B	**–**	**178,069**
Unrated	**–**	**155,264**
Sub-total	**–**	**333,333**
Total	**6,240,445**	**17,066,798**
31 December 2020		
Issuers in Mainland China		
AAA	581,767	3,774,190
AA– to AA+	397,400	2,579,872
Unrated	698,870	4,808,326
Sub-total	1,678,037	11,162,388
Issuers in Hong Kong and other regions		
Unrated	–	190,044
Sub-total	–	190,044
Total	1,678,037	11,352,432

56. Financial risk management – continued

56.3 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, exchange rate risk or price risk.

56.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged.

The table below presents the residual maturities of the Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

As at 31 December 2021	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	–	–	–	–	327,299	327,299
Other assets	–	–	–	–	480,599	480,599
Margin accounts receivable	5,194,557	5,596,782	–	–	–	10,791,339
Financial assets held under resale agreements	950,164	1,727,626	280,344	–	–	2,958,134
Financial assets at FVTPL	1,230,446	8,257,016	5,397,817	2,407,475	10,417,337	27,710,091
Debt instruments at FVTOCI	6,998	–	4,350,923	1,792,750	89,774	6,240,445
Equity instruments at fair value through other comprehensive income	–	–	–	–	2,579,203	2,579,203
Financial derivative assets	–	–	–	–	485,041	485,041
Clearing settlement funds	3,268,118	–	–	–	–	3,268,118
Cash held for brokerage clients	8,572,113	–	–	–	–	8,572,113
Cash and bank balances	1,178,520	822,913	–	–	–	2,001,433
	20,400,916	16,404,337	10,029,084	4,200,225	14,379,253	65,413,815
Financial liabilities						
Short-term borrowings	–	(38,268)	–	–	–	(38,268)
Bonds in issue	(1,942,226)	(4,556,203)	(11,733,988)	–	–	(18,232,417)
Other liabilities	–	–	–	–	(3,619,450)	(3,619,450)
Financial assets sold under repurchase agreements	(12,655,065)	(140,945)	–	–	–	(12,796,010)
Financial liabilities at FVTPL	–	–	–	–	(1,429,706)	(1,429,706)
Financial Derivative liabilities	–	–	–	–	(430,772)	(430,772)
Accounts payable to brokerage clients	(11,182,579)	–	–	–	–	(11,182,579)
Lease liabilities	(18,017)	(53,073)	(94,791)	(913)	–	(166,794)
Due to other financial institutions	(850,315)	–	–	–	–	(850,315)
	(26,648,202)	(4,788,489)	(11,828,779)	(913)	(5,479,928)	(48,746,311)
Interest rate sensitivity gap	(6,247,286)	11,615,848	(1,799,695)	4,199,312	8,899,325	16,667,504

56. Financial risk management – continued

56.3 Market risk – continued

56.3.1 Interest rate risk – continued

As at 31 December 2020	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	–	–	–	–	236,637	236,637
Other assets	–	–	–	–	967,020	967,020
Margin accounts receivable	3,434,500	4,978,566	–	–	–	8,413,066
Financial assets held under resale agreements	2,824,585	1,278,096	24,838	–	–	4,127,519
Financial assets at FVTPL	694,944	3,166,863	6,635,445	623,426	5,834,413	16,955,091
Debt instruments at FVTOCI	–	–	534,336	1,116,064	27,637	1,678,037
Financial derivative assets	–	–	–	–	77,644	77,644
Clearing settlement funds	2,511,606	–	–	–	–	2,511,606
Cash held for brokerage clients	7,449,016	–	–	–	–	7,449,016
Cash and bank balances	3,111,366	170,000	–	–	–	3,281,366
	20,026,017	9,593,525	7,194,619	1,739,490	7,143,351	45,697,002
Financial liabilities						
Bonds in issue	(2,948,259)	(3,358,097)	(7,473,402)	–	–	(13,779,758)
Other liabilities	–	–	–	–	(1,918,230)	(1,918,230)
Financial assets sold under repurchase agreements	(8,707,695)	–	–	–	–	(8,707,695)
Financial liabilities at FVTPL	–	–	–	–	(899,282)	(899,282)
Financial Derivative liabilities	–	–	–	–	(116,584)	(116,584)
Accounts payable to brokerage clients	(9,327,198)	–	–	–	–	(9,327,198)
Lease liabilities	(14,882)	(42,682)	(107,637)	(10,442)	–	(175,643)
Due to other financial institutions	(300,070)	–	–	–	–	(300,070)
	(21,298,104)	(3,400,779)	(7,581,039)	(10,442)	(2,934,096)	(35,224,460)
Interest rate sensitivity gap	(1,272,087)	6,192,746	(386,420)	1,729,048	4,209,255	10,472,542

56. Financial risk management – continued

56.3 Market risk – continued

56.3.1 Interest rate risk – continued

Sensitivity analysis

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Group's net profit and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of the reporting period.

The sensitivity analysis on net profit and other comprehensive income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The Group believes that above assumption does not represent the Group's policy on the use of funds and interest rate risk management, so the impact of sensitivity analysis may vary according to the actual situation.

In addition, the above analysis of the impact of changes in interest rate is only an illustrative example, showing the estimated changes in net profit and other comprehensive income under various expected situations and the current interest rate risk position of the Group. However, the impact did not consider the risk management activities that the management might take to reduce interest rate risk.

56. Financial risk management – continued

56.3 Market risk – continued

56.3.1 Interest rate risk – continued

Sensitivity analysis – continued

	2021/12/31 RMB'000	2020/12/31 RMB'000
Net profit after tax		
Increase by 25 bps	**(52,890)**	(24,292)
Decrease by 25 bps	**53,526**	24,520
Other comprehensive income		
Increase by 25 bps	**(43,708)**	(2,253)
Decrease by 25 bps	**44,544**	2,267

Interest rate benchmark reform

As disclosed in Note 45, the Group's short-team borrowing linked to LIBOR will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

During the year, the contract was not transitioned to the relevant replacement rates.

56. Financial risk management – continued

56.3 Market risk – continued

56.3.1 Interest rate risk – continued

Interest rate benchmark reform – continued

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of short-term borrowing was shown at carrying amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ RMB thousand	Transition progress for financial instruments
Non-derivative financial liabilities			
Borrowing linked to 3-month USD LIBOR	2022	38,268	LIBOR will continue till maturity

56.3.2 Exchange rate risk

Exchange rate risk refers to the possibility of loss of the Group's assets or liabilities due to exchange rate changes. The Group operates principally in the PRC. Except the subsidiaries in Hong Kong, the majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Group does not hold or issue any derivative financial instruments to manage its exposure to exchange rate risk.

As at 31 December 2021, assuming other variables remain unchanged, if foreign currencies appreciate or depreciate by 1% against RMB, the Group's net profit before tax in 2021 will decrease or increase by RMB385 thousand (2020: RMB1,144 thousand).

56. Financial risk management – continued

56.3 Market risk – continued

56.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives and collective asset management scheme whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Group's price risk management policy requires setting and managing investment objectives. The directors of the Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

Sensitivity analysis

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Profit after income tax		
Increase by 10%	**491,831**	391,131
Decrease by 10%	**(491,831)**	(391,131)

56. Financial risk management – continued

56.3 Market risk – continued

56.3.3 Price risk – continued

Sensitivity analysis – continued

	2021/12/31 RMB'000	2020/12/31 RMB'000
Other comprehensive income after income tax		
Increase by 10%	**193,440**	–
Decrease by 10%	**(193,440)**	–

56.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. The rapid development of the Company's proprietary trading, asset management, margin financing business and etc all put forward higher requirements for liquidity risk management.

The Group manages and controls its funds in a centralised manner. The Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost.

The Group annually prepares the fund budget, and formulates a financing plan based on the fund budget to manage the funding requirements and relevant costs. Through careful analysis of the Group's business scale, total liabilities, financing capacity and asset-liability structure, the Group will determine the scale of high-liquid asset reserves to improve liquidity and risk resistance.

The Group invests surplus cash in negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at 31 December 2021, the Group held cash and cash equivalents of approximately RMB2,395,089 thousand (31 December 2020: RMB6,398,847 thousand) that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Group held financial assets at fair value through profit or loss amounted to RMB20,845,312 thousand which was presented as current assets as at 31 December 2021 (31 December 2020: RMB14,144,755 thousand), and could be realised within one year to provide a further source of cash if the need arose.

56. Financial risk management – continued

56.4 Liquidity risk – continued

The tables below present the cash flows payable by the Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

As at 31 December 2021	On demand RMB'000	Within 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Overdue/ Undated RMB'000	Total RMB'000
Non-derivative financial assets								
Other assets	–	118,845	82,672	273,649	9,177	876	–	485,219
Margin accounts receivable	–	1,382,523	3,909,692	5,731,190	–	–	–	11,023,405
Financial assets held under resale agreements	–	787,131	175,077	1,807,618	302,315	–	–	3,072,141
Financial assets at FVTPL	–	261,230	1,004,052	8,835,204	6,528,495	2,554,706	10,256,819	29,440,506
Debt instruments at FVTOCI	–	4,200	26,431	201,924	5,069,301	2,112,273	7,319	7,421,448
Clearing settlement funds	3,268,118	–	–	–	–	–	–	3,268,118
Refundable deposits	–	133,208	–	–	–	1,684	192,407	327,299
Equity instruments at FVTOCI	–	–	–	–	–	–	2,579,203	2,579,203
Cash held for brokerage clients	8,572,113	–	–	–	–	–	–	8,572,113
Cash and bank balances	771,432	100,326	325,879	831,347	–	–	–	2,028,984
	12,611,663	2,787,463	5,523,803	17,680,932	11,909,288	4,669,539	13,035,748	68,218,436
Derivative financial assets								
Net inflow	–	3,423	89,413	301,971	71,591	–	18,643	485,041
	12,611,663	2,790,886	5,613,216	17,982,903	11,980,879	4,669,539	13,054,391	68,703,477

As at 31 December 2020	On demand RMB'000	Within 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Overdue/ Undated RMB'000	Total RMB'000
Non-derivative financial liabilities								
Short-term borrowings	–	–	374	39,351	–	–	–	39,725
Other current liabilities	–	499,719	233,475	1,320,693	1,559,824	3,008	2,731	3,619,450
Bonds in issue	–	73,645	2,035,352	4,915,241	12,125,340	–	–	19,149,578
Financial assets sold under repurchase agreements	–	12,660,861	–	140,946	–	–	–	12,801,807
Financial liabilities at FVTPL	402,876	99,157	204,622	186,034	537,017	–	–	1,429,706
Lease liabilities	–	9,801	10,821	56,122	99,720	958	–	177,422
Accounts payable to brokerage clients	11,182,579	–	–	–	–	–	–	11,182,579
Due to other financial institutions	–	853,379	–	–	–	–	–	853,379
	11,585,455	14,196,562	2,484,644	6,658,387	14,321,901	3,966	2,731	49,253,646
Derivative financial liabilities								
Net outflow	–	5,179	99,104	258,655	49,263	–	18,571	430,772
	11,585,455	14,201,741	2,583,748	6,917,042	14,371,164	3,966	21,302	49,684,418

56. Financial risk management – continued

56.4 Liquidity risk – continued

As at 31 December 2020	On demand RMB'000	Within 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Overdue/ Undated RMB'000	Total RMB'000
Non-derivative financial assets								
Other assets	12,023	44,848	86,049	524,587	302,103	2,058	–	971,668
Margin accounts receivable	–	1,191,421	2,309,380	5,103,575	–	–	–	8,604,376
Financial assets held under resale agreements	–	2,685,453	197,955	1,354,742	28,346	–	–	4,266,496
Financial assets at FVTPL	–	218,383	639,006	3,606,781	7,465,799	729,588	5,602,660	18,262,217
Debt instruments at FVTOCI	–	3,510	10,579	47,793	768,902	1,264,785	–	2,095,569
Clearing settlement funds	2,511,606	–	–	–	–	–	–	2,511,606
Refundable deposits	–	153,995	–	–	–	1,726	80,916	236,637
Cash held for brokerage clients	7,449,016	–	–	–	–	–	–	7,449,016
Cash and bank balances	2,871,366	70,160	172,460	172,664	–	–	–	3,286,650
	12,844,011	4,367,770	3,415,429	10,810,142	8,565,150	1,998,157	5,683,576	47,684,235
Derivative financial assets								
Net inflow	–	235	10,848	48,137	18,424	–	–	77,644
	12,844,011	4,368,005	3,426,277	10,858,279	8,583,574	1,998,157	5,683,576	47,761,879

As at 31 December 2020	On demand RMB'000	Within 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Overdue/ Undated RMB'000	Total RMB'000
Non-derivative financial liabilities								
Other current liabilities	–	450,239	60,050	1,047,393	354,279	2,844	3,428	1,918,233
Bonds in issue	–	1,376,035	1,738,934	3,574,177	7,702,400	–	–	14,391,546
Financial assets sold under repurchase agreements	–	8,720,179	–	–	–	–	–	8,720,179
Financial liabilities at FVTPL	465,540	32,204	171,120	97,932	71,994	–	60,492	899,282
Lease liabilities	–	7,463	10,650	47,459	115,004	11,240	–	191,816
Accounts payable to brokerage clients	9,327,198	–	–	–	–	–	–	9,327,198
Due to other financial institutions	–	302,123	–	–	–	–	–	302,123
	9,792,738	10,888,243	1,980,754	4,766,961	8,243,677	14,084	63,920	35,750,377
Derivative financial liabilities								
Net outflow	–	1,634	2,952	90,154	21,077	523	244	116,584
	9,792,738	10,889,877	1,983,706	4,857,115	8,264,754	14,607	64,164	35,866,961

56. Financial risk management – continued

56.5 Capital management

The Group's objectives of capital management are:

- To safeguard the Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (Revision 2020) (the "Administrative Measures") issued by the CSRC, the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

57. Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participations at the measurement date.

57.1 Financial instruments not measured at fair value

The Group's fair value of the bonds in issue as at 31 December 2021 was amounted to RMB18,043,652 thousand (31 December 2020: RMB13,534,170 thousand), and the carrying amount was RMB18,232,417 thousand (December 31, 2020: 13,779,759 thousand). The Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

Except above bonds in issue, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the statement of consolidated financial position approximate their fair values.

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value

As at 31 December 2021	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	2,752,962	14,494,906	282,537	17,530,405
– Equity instruments	1,759,488	7,183,394	1,236,804	10,179,686
Debt instruments at FVTOCI	–	6,240,445	–	6,240,445
Equity instruments at fair value through other comprehensive income	2,579,203	–	–	2,579,203
Derivative financial assets	18,643	322,174	144,224	485,041
Total	7,110,296	28,240,919	1,663,565	37,014,780
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(458,145)	(458,145)
– Income certificates with variable interests	–	–	(971,561)	(971,561)
Derivative financial liabilities	(18,572)	(199,572)	(212,628)	(430,772)
Total	(18,572)	(199,572)	(1,642,334)	(1,860,478)

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

As at 31 December 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt instruments	–	11,183,357	169,075	11,352,432
– Equity instruments	961,452	4,489,840	151,368	5,602,660
Debt instruments at FVTOCI	–	1,678,037	–	1,678,037
Derivative financial assets	–	53,226	24,419	77,645
Total	961,452	17,404,460	344,862	18,710,774
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holders of consolidated structured entities	–	–	(587,293)	(587,293)
– Income certificates with variable interests	–	–	(311,989)	(311,989)
Derivative financial liabilities	(243)	(71,571)	(44,770)	(116,584)
Total	(243)	(71,571)	(944,052)	(1,015,866)

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 2

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 2 in the fair value hierarchy into which the fair value measurement is categorised at 31 December 2021 and 2020.

Financial assets/liabilities	As at 31 December 2021	As at 31 December 2020	Valuation technique(s) and key input(s)
Financial assets at FVTPL			
– Bonds	**13,750,955**	10,794,541	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bonds.
– Asset backed securities	**280,344**	388,815	Discounted future cash flows estimated based on expected recoverable amounts at rates that reflect credit risk of securities.
– Equity securities listed on National Equities Exchange and Quotation	**11,898**	22,637	Recent transaction prices.
– Investment funds	**1,200,313**	1,504,993	Net asset value as published by the fund managers.
– Collective asset management schemes	**195,311**	424,148	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Wealth management products	**265,685**	295,243	Discounted future cash flows estimated based on expected return that reflect the credit risk of the products.
– Private equity funds	**5,245,380**	2,080,354	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Trust schemes	**264,807**	162,464	Calculated based on the fair value of the underlying investments which are debt securities and publicly traded equity investments in each portfolio.
– Commercial papers	**463,607**	–	Discounted future cash flows estimated based on contractual amounts and interest rates that reflect the credit risk of the commercial papers.
Financial assets at FVTOCI			
– Bonds	**6,240,445**	1,678,037	Discounted future cash flows estimated based on contractual amounts and coupon rates that reflect the credit risk of the bond.
Derivative financial assets			
– Interest rate swaps	**–**	119	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
– Return swaps	**322,174**	53,106	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.
Derivative financial liabilities			
– Interest rate swaps	**(3,425)**	(523)	Discounted cash flows with future cash flows that are estimated based on contractual terms, discounted at a rate that reflects the credit risk.
– Return swaps	**(196,147)**	(71,048)	Calculated based on the difference between the equity return of underlying equity securities based on quoted prices from stock exchanges and the fixed income agreed in the swap agreements.

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3

The following table presents the Group's financial assets and liabilities that are measured at fair value by the level 3 in the fair value hierarchy into which the fair value measurement is categorised at 31 December 2021 and 2020.

Financial assets/liabilities	As at 31 December 2021	As at 31 December 2020	Valuation technique(s) and key input(s)
Financial assets at FVTPL			
– Bonds	**282,537**	169,075	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
– Collective asset management schemes	**48,204**	2,695	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Private equity funds	**770,586**	–	Calculated based on the fair value of the underlying investments which invest in listed shares with lock up periods in which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
– Unlisted equity investments	**340,491**	140,675	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
– Restricted stocks	**77,523**	7,999	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
Derivative financial assets			
– OTC options	**46,056**	24,419	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	**98,168**	–	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.and the fixed income agreed in the swap agreements.

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

Financial assets/liabilities	As at 31 December 2021	As at 31 December 2020	Valuation technique(s) and key input(s)
Financial liabilities at FVTPL			
– Interests of other holders of consolidated structured entities	**(458,145)**	(587,293)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.
– Income certificates with variable interests	**(971,561)**	(311,989)	The fair value of the income certificate is the sum of the fair value of embedded option and the discounted future cash flows from the host contract of the debt instrument. The fair value of option is calculated using option pricing model with major inputs including the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time and the risk-free interest rate, etc. The fair value of host contract of debt instrument is calculated based on expected future cash flow discounted by the discount rate reflecting the Company's own credit risk.
Derivative financial liabilities			
– OTC options	**(83,683)**	(44,770)	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.
– Return swaps	**(128,945)**	–	Calculated based on the difference between the equity return of underlying restricted stocks of which the fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.and the fixed income agreed in the swap agreements..

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

As at 31 December 2021 and 2020

Financial assets/liabilities	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at FVTPL			
–Bonds	Level 3	• Estimated future cash flows. • Discount rates reflecting the credit risk of the bond.	• The higher the estimated future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value.
–Collective asset management schemes	Level 3	• The portfolio contains restricted stocks, whose fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.	• The lower the discount rate, the higher the fair value.
–Private equity funds	Level 3	• Discount rates that correspond to lack of marketability.	• The lower the discount rate, the higher the fair value.
–Unlisted equity investments	Level 3	• Valuation multiples e.g. P/E, P/B or P/S • Discount rates that correspond to lack of marketability.	• The higher the valuation multiples, the higher the fair value. • The lower the discount rate, the higher the fair value.
–Restricted stocks	Level 3	• An adjustment or discount for lack of marketability.	• The lower the discount rate, the higher the fair value.
Derivative financial instruments			
–OTC options	Level 3	• The volatility of the underlying equity instrument for option	• The higher the volatility of the underlying equity instrument, the higher the fair value
–Return swaps	Level 3	• An adjustment or discount for lack of marketability.	• The lower the discount rate, the higher the fair value.
Financial liabilities at FVTPL			
–Interests of otherholders of consolidated structured entities	Level 3	• Other adjustments based on the fair value of underlying assets	• The higher the adjusted value, the lower the fair value.
–Income certificates with variable interests	Level 3	• The volatility of the underlying equity instrument for option	• The higher the volatility of the underlying equity instrument, the higher the fair value

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

The following table presents the changes in Level 3 instruments for the year ended 31 December 2021 and 2020.

	Financial assets at FVTPL – Collective asset Management scheme	Financial assets at FVTPL Bonds	Financial assets at FVTPL Private equity funds	Financial assets at FVTPL – Unlisted equity investments	Financial assets at FVTPL – Restricted stocks	Derivative financial assets – OTC options	Derivative financial assets – Interest rate & return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	2,695	169,075	–	140,675	7,999	24,419	–	344,863
Fair value change	955	(42,781)	49,148	78,985	26,607	21,637	98,168	232,719
Transfers into level 3	–	–	–	–	1,486	–	–	1,486
Increase	47,668	185,599	721,438	132,318	41,431	–	–	1,128,454
Decrease	(3,114)	(29,356)	–	(11,487)	–	–	–	(43,957)
Balance at 31 December 2021	48,204	282,537	770,586	340,491	77,523	46,056	98,168	1,663,565

For the year ended 31 December 2021, the Group used level 3 valuation techniques to valuate certain financial instruments whose marketability had been significantly changed, and fair value hierarchy of these financial instruments transferred from level 1 to level 3. As at 31 December 2021, fair value of these financial instruments amounted to RMB6,262 thousand and there was no transfer between level 1 and level 2 (2020: fair value of these financial instruments which transferred from level 2 to level 3 amounted to RMB34,622 thousand and there was no transfer between level 1 and level 2).

57. Fair value of financial assets and liabilities – continued

57.2 Financial instruments measured at fair value – continued

Financial instruments in Level 3 – continued

	Financial liabilities at FVTPL – Interests of other holders of consolidated structured entities	Financial liabilities at FVTPL – Income certificates with variable interests	Derivative financial liabilities – OTC options	Derivative financial liabilities Interest rate & return swaps	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	587,293	311,989	44,770	–	944,052
Losses recognised in profit or loss	12,358	380	38,913	128,945	180,596
Increase	311,660	2,282,223	–	–	2,593,883
Decrease	(453,166)	(1,623,031)	–	–	(2,076,197)
Balance at 31 December 2021	458,145	971,561	83,683	128,945	1,642,334

58. Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting agreements:

	As at 31 December 2021				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets/ (liabilities)	Cash paid as settlement	Net amount of Financial assets/ (liabilities) presented in the statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	3,789	(31,233)	(27,444)	(27,444)	–

	As at 31 December 2020				
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts of financial assets/ (liabilities)	Cash paid as settlement	Net amount of Financial assets/ (liabilities) presented in the statements of financial position
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial instruments	–	4,284	(4,284)	(4,284)	–

The Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades. As at 31 December 2021, there is no outstanding future contracts held by the Group.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreements, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

59. Unconsolidated structured entities

Unconsolidated structured entities of the Group mainly include asset management schemes managed by the Group, asset management schemes, investment funds, wealth management products, private equity funds and etc. which the Group invests in but does not act as a manager.

Except for the structured entities that the Group has consolidated, in the opinion of the directors of the Company, the variable returns the Group exposed to the structured entities that the Group has interests in are not significant. The Group did not consider itself being the principal and consequently did not consolidate these structured entities.

The total assets of unconsolidated asset management schemes managed by the Group amounted to RMB103,378,414 thousand as at 31 December 2021 (31 December 2020: RMB35,751,667 thousand).

As at 31 December 2021 and 2020, the interests in unconsolidated structured entities held by the Group which are classified as financial assets at FVTPL included asset management schemes, wealth management products, investment funds, trust schemes, private equity fund, asset backed securities and limited partnership.

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities managed by the Group classified as financial assets at FVTPL were as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Asset management schemes	**156,815**	37,260
Limited partnerships	**136,200**	19,678
Total	**293,015**	56,938

59. Unconsolidated structured entities – continued

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities for which the Group did not act as the investment manager were as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Investment funds	**2,251,115**	1,600,094
Wealth management products	**265,685**	295,243
Asset management schemes	**86,699**	389,583
Asset backed securities	**311,655**	388,815
Limited partnership	**–**	4,237
Private equity funds	**6,015,966**	2,080,354
Trust schemes	**264,807**	162,464
	9,195,927	4,920,790

As at December 31, 2021, the Group's financial assets at FVTPL amounting to RMB3,376,477 thousand and derivative financial assets amounting to RMB77,141 thousand were arranged as a combination of contracts with an aim to transfer out the gain or loss of these FVTPL.

For the years ended 31 December 2021 and 2020, the income from these unconsolidated structured entities held and/or managed by the Group was as follows:

	2021 RMB'000	2020 RMB'000
Net investment gains	**95,801**	38,579
Fee and commission income	**142,249**	72,676
	238,050	111,255

60. Subsequent events

Offering of corporate bonds

On 24 January 2022, the Company issued RMB1,000,000 thousand of corporate bond with a term of 1096 days and a fixed coupon rate of 3.14% per annum paid at maturity.

On 24 February 2022, the Company issued RMB1,000,000 thousand of subordinated bond with a term of 1096 days and a fixed coupon rate of 3.45% paid annually.

On 23 March 2022, the Company issued RMB1,000,000 thousand of corporate bond with a term of 1826 days and a fixed coupon rate of 3.80% paid annually.

Profit distribution

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of RMB1.0 (taxes inclusive) for every 10 shares, based on the Company's existing share capital of 2,831,773 thousand shares, in an aggregate amount of RMB283,177 thousand, has been proposed by the Board resolution dated 24 March 2022 and is subject to approval by the shareholders in the forthcoming general meeting.

61. Statement of financial position and equity movement of the company

Statement of financial position of the Company

	2021/12/31 RMB'000	2020/12/31 RMB'000
Assets		
Non-current assets		
Property and equipment	**94,639**	87,593
Right-of-use assets	**134,614**	137,522
Intangible assets	**57,762**	59,125
Investments in subsidiaries	**961,431**	1,361,430
Investments in consolidated structured entities	**2,236,324**	2,003,570
Investment in associates	**102,921**	100,667
Other non-current assets	**35,518**	28,695
Financial assets held under resale agreements	**280,344**	24,838
Financial assets at fair value through profit or loss	**498,801**	280,722
Equity instruments at fair value through other comprehensive income	**2,579,203**	–
Derivative financial assets	**71,591**	18,424
Debt instruments at fair value through other comprehensive income	**6,240,445**	1,678,037
Deferred tax assets	**–**	24,241
Refundable deposits	**325,691**	234,264
Total non-current assets	**13,619,284**	6,039,128
Current assets		
Other current assets	**492,603**	968,252
Margin accounts receivable	**10,791,339**	8,413,066
Financial assets held under resale agreements	**2,484,177**	3,820,735
Financial assets at fair value through profit or loss	**23,950,986**	13,287,346
Derivative financial assets	**413,450**	59,221
Clearing settlement funds	**3,246,141**	2,507,990
Cash held for brokerage clients	**8,572,086**	7,449,016
Cash and bank balances	**1,053,059**	2,548,286
Total current assets	**51,003,841**	39,053,912
Total assets	**64,623,125**	45,093,040

61. Statement of financial position and equity movement of the company – continued

Statement of financial position of the Company – continued

	2020/12/31 RMB'000	2019/12/31 RMB'000
Equity and liabilities		
Share capital	**2,831,773**	2,378,119
Share premium	**8,169,041**	3,639,707
Reserves	**2,519,791**	2,097,801
Retained earnings	**2,548,226**	2,336,324
Total equity	**16,068,831**	10,451,951
Liabilities		
Non-current liabilities		
Bond in issue	**11,475,369**	7,275,224
Other non-current liabilities	**1,425,330**	–
Lease liabilities	**80,544**	94,788
Derivative financial liabilities	**49,263**	21,843
Financial liabilities at fair value through profit or loss	**492,374**	71,994
Deferred tax liabilities	**55,728**	–
Total non-current liabilities	**13,578,608**	7,463,849
Current liabilities		
Other current liabilities	**2,603,073**	2,160,287
Current income tax liabilities	**35,594**	24,263
Bonds in issue	**6,731,421**	6,478,570
Lease liabilities	**55,218**	43,114
Contract liabilities	**1,806**	4,338
Due to other financial institutions	**850,238**	300,070
Derivative financial liabilities	**381,509**	94,740
Accounts payable to brokerage clients	**11,182,575**	9,327,198
Financial assets sold under repurchase agreements	**12,655,065**	8,504,665
Financial liabilities at fair value through profit or loss	**479,187**	239,995
Total current liabilities	**34,975,686**	27,177,240
Total liabilities	**48,554,294**	34,641,089
Total equity and liabilities	**64,623,125**	45,093,040

61. Statement of financial position and equity movement of the company – continued

Reserve movement of the Company

	Share capital	Share premium	Surplus reserve	General reserve	Revaluation reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	**2,378,119**	**3,639,707**	**605,753**	**1,488,676**	**3,372**	**2,336,324**	**10,451,951**
Profit for the year	–	–	–	–	–	711,718	711,718
Other comprehensive income for the year	–	–	–	–	207,548	–	207,548
Total comprehensive income for the year	–	–	–	–	207,548	711,718	919,266
Issue of shares	453,654	4,529,334	–	–	–	–	4,982,988
Dividends recognised as distribution	–	–	–	–	–	(285,374)	(285,374)
Appropriation to surplus reserve	–	–	71,172	–	–	(71,172)	–
Appropriation to general reserve	–	–	–	143,270	–	(143,270)	–
Balance at 31 December 2021	**2,831,773**	**8,169,041**	**676,925**	**1,631,946**	**210,920**	**2,548,226**	**16,068,831**
Balance at 1 January 2020	**1,902,400**	**2,177,342**	**548,961**	**1,373,525**	**–**	**1,940,345**	**7,942,573**
Profit for the period	–	–	–	–	–	567,922	567,922
Other comprehensive income for the period	–	–	–	–	3,372	–	3,372
Total comprehensive income for the period	–	–	–	–	3,372	567,922	571,294
Issue of shares	475,719	1,462,365	–	–	–	–	1,938,084
Appropriation to surplus reserve	–	–	56,792	–	–	(56,792)	–
Appropriation to general reserve	–	–	–	115,151	–	(115,151)	–
Balance at 31 December 2020	**2,378,119**	**3,639,707**	**605,753**	**1,488,676**	**3,372**	**2,336,324**	**10,451,951**